

# The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF



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## Professional Notes.

THE results of the Parliamentary Election are being declared as this issue is going through the press. Sir Charles Wilson has been returned for Central Leeds as a Conservative with an increased majority. We offer him our cordial congratulations, more especially as during part of the campaign he could not take a very active part owing to indisposition. The Vice-President of the Society, Mr. Thomas Keens, who stood as a Liberal, has lost his seat for the Aylesbury Division of Bucks, and has thus shared in the misfortunes of his Party. He will be missed in the House by many commercial men whose confidence he enjoyed.

We offer cordial congratulations to our contemporary, *The Accountant*, upon the issue on October 11th of its jubilee number, in which messages were published from leading members of the profession, including the President of the Society of Incorporated Accountants and Auditors, Mr. George Stanhope Pitt. During the 50 years of the publication of *The Accountant* the profession has made remarkable progress. It can scarcely be imagined that in 1874 neither the Institute nor the Society was in existence, although there were scattered throughout the country three or four small societies which in 1880 had an aggregate membership of about 500 public accountants, who became the original members of the Institute. When *The Accountant* commenced its career there was a dearth of professional literature as well as of professional organisation, and the students of to-day can hardly realise the want of practical help and the absence of any assistance which had to be faced in the old days by those who desired to adopt accountancy as a calling, hardly then to be classed as a profession. The tale has often been told, but the jubilee of our contemporary justifies us in recalling the past.

There will be found in our columns a charming letter from the President of the American Institute of Accountants to the President of the Society. The reports which we have received from Mr. A. A. Garrett, the Secretary of the Society, since his return from America support the statement of the *Journal of Accountancy* (New York) that the St. Louis meeting in September was splendid, invigorating and inspiring. We understand that all the representatives of accountancy organisations outside the United States were deeply interested in the progress of the profession there during the past twenty years, and their speeches of congratulation to our American brethren were by no means of a perfunctory nature.

In another column we give an official summary of the professional evidence tendered to Lord Colwyn's Committee on National Debt and Taxation on behalf of the Institute and the Society. As Mr. Pitt referred to the matter in his recent Presidential Address at Leeds, we have discussed his own views in our leading article. In regard to the evidence submitted as a whole, which has not yet been released for publication, we are of the opinion that when the profession is able to give it consideration in detail, they will be satisfied that Sir Arthur Lowes Dickinson, Sir John Mann and Mr. George Stanhope Pitt have put before the Committee a valuable statement which will command general acceptance.

The annual report of the Chartered Institute of Secretaries shows that on August 31st last the number of members on the roll was 5,697, of whom 1,902 were Fellows and 3,795 Associates. The Council has been consulted on a suggestion that dividend notices accompanying warrants in respect

of joint accounts should contain all the names in the account. This procedure on the part of companies would then conform with the practice of the Bank of England. The Council has intimated that there appears to be no valid objection to this procedure, but that where it would entail considerable alteration of existing methods it should be sufficient to give a distinctive identification of the particular account to which the warrant relates.

A gentleman who describes himself as an "Incorporated Accountant of the International Accountants' Society Incorporated of Detroit, Michigan, U.S.A.," is advertising for business at Trinidad. He says that a feature of his business will be the writing up of work in arrear, or, where requisitioned, aiding the permanent staff in doing so. "As an adjunct—job typewriting work will be undertaken," and "the favour of your patronage is respectfully solicited."

Secretaries of public companies should bear in mind that under the provisions of sect. 33 of the Finance Act, 1924, all dividend warrants issued after the 30th instant must show:—

- (a) The gross amount which, after deduction of the income tax appropriate thereto, corresponds to the net amount actually paid; and
- (b) The rate and the amount of income tax appropriate to such gross amount; and
- (c) The net amount actually paid.

This will greatly facilitate the preparation of super tax returns, as at present where dividends are paid free of tax, or, as sometimes happens, the amount of tax deducted is not clearly shown on the dividend warrant, it is very difficult to arrive at what is in fact the gross income.

Paragraphs have recently appeared in the public press pointing out the advantages of having what is known as compound rulings of cash columns similar to that used on the Continent. The theory is that by having intermediate feint lines both in the pounds and shillings columns the adding up of long columns of figures would be facilitated and the possibility of errors minimised. Our own view is that these feint lines, as used on the Continent, are very trying to the eyesight, and that the most useful method is to have only one feint line in the pounds column, viz, between the thousands and the hundreds, and none whatever in the shillings column. In adding there should be no difficulty in following three lines of figures and seeing that they are in their proper place, whereas if the eye has to follow a small feint line for each line of figures cast up, the strain on the eyesight is very severe. In other words, we think it is better to merely have a feint line where in printing a comma would be placed.

An interesting landlord and tenant question was decided last month in the case of *Phipps & Co. (Northampton and Towcester Breweries), Limited, v. Rogers*. An ambiguous notice to quit had been served on the defendant, which became the subject of an action, and pending the hearing of an appeal in that action a further notice to quit was served by the plaintiffs "without prejudice to or the waiving of the original notice." A further action was then brought to test the validity of the amended notice, which was a proper one and clear of all ambiguity except as to the "without prejudice" clause. The Court held that this clause did not limit or cut down the operative clause, and consequently that the second notice to quit was a valid one.

We publish in another column the text of a Bill entitled "Companies (Prospectuses and Offers for Sale) Bill, 1924," the main provision of which is that offers for sale of shares in public companies and circulars in relation thereto shall be deemed to be included in the expression "Prospectus" as defined by the Companies (Consolidation) Act, 1908, unless for upwards of two years the securities in question have been in the continuous possession of the person making the offer. A correspondent of the *Times* raises the important question of how the owner of the shares is to secure the information which he is required to give to the public, as it does not necessarily follow that the company will provide him with it. In order to obviate this difficulty and at the same time to secure the end in view, he suggests that in all cases where a person or corporation acquires, other than by way of subscription on a public prospectus, more than 20 per cent. of the nominal share or loan capital of any newly formed company within two years of his obtaining his share certificate, the purchaser must, in the event of an offer for sale to the public, publish all the information disclosed by the company in its statement in lieu of a prospectus. This statement is on the file of the Joint Stock Registry and is therefore easily accessible. The suggestion seems to be well worthy of consideration.

At the annual meeting of the Law Society a paper was read by Mr. Dennis Hickey on the subject of "Company Law Reform," in which he advocated numerous alterations in the law for the purpose of protecting the interests of the investing public, and in particular he referred to the abuse of private companies, going so far as to say that in private companies with less than three members there should be on all issued share capital a percentage of reserve liability callable only in the event of liquidation and incapable of being charged. The effect of this would be to constitute two distinct classes of private companies, with the result that practically no companies with less than three members would be registered, and the suggested amendment of the law would fail in its object.

Having regard to the number of private companies on the Register as compared with public companies

and the comparatively small number of cases in which abuse takes place, great care must be exercised in order that, while endeavouring to protect the investor, the responsibilities placed upon these companies are not such as to discourage their use and thereby seriously handicap the carrying on of a large volume of business which would never be undertaken without their assistance. There are no doubt certain loopholes for fraud which might be stopped, such as the flotation of companies by undischarged bankrupts and the defeating of creditors by the sale of a business to a private company for a consideration in debentures, but in doing so care must be taken not to prejudice the working of the large number of private companies which are carrying on legitimate business.

In the election for the appointment of Elective Auditors for the City of Birmingham it was pointed out by the Lord Mayor, in acknowledging a vote of thanks, that only 951 people had voted out of a total of 373,352, and that the election had cost the ratepayers about 4s. per vote. This is not by any means an isolated case, and shows very clearly the meagre interest which the electors take in these appointments.

Great controversy is taking place with regard to the effect and the expediency of the restriction of rubber output. On the one hand, it is contended that the restriction has only deferred the evil day, and that when it is removed the position, so far as companies subject to restriction are concerned, will be much worse than it would have been if no restriction had ever been brought into force, because the Dutch companies which are not subject to restriction are in the meantime reaping a rich harvest and increasing their share of the total output of rubber. On the other hand it is maintained that the restriction has had the effect of saving many companies from liquidation by tiding over a period of stress which will disappear when the consumption of rubber has caught up with the production. A few months ago the price of rubber was steadily falling and stocks increasing, but recently there has been a turn in the tide, and towards the end of last month the rubber stock had reached its lowest figure since October, 1920, while at the same time the price of the commodity had gone up to about 1s. 5d. per lb. There are clearly arguments on both sides, and time only will prove which theory is correct. Past experience in other matters has shown that artificial interference with prices and supplies is seldom beneficial, and that strong grounds are required to justify it.

Two recent cases have aroused much interest in regard to Council contracts with a company of which members of the Council were either directors or employees. In *Everett v. Griffiths* the defendant, chairman of a board of guardians, was the foreman of a dairy company which obtained a contract with

the board for the supply of milk. In an action for a declaration that the defendant was disqualified under sect. 46 of the Local Government Act, 1894, from being a member of the board, it was held that he was not "concerned" in the contract, and that the action would not lie.

In *Lapish v. Braithwaite* Mr. Justice Bailhache held that a person who is not merely a shareholder but is also managing director of a company which has a contract with a municipal corporation is, under sect. 12 (1) (c) of the Municipal Corporations Act, 1882, disqualified from being a councillor, inasmuch as the exemption conferred by sect. 12 (2) (e) in the case of shareholders applies only to persons who are merely shareholders and have no other connection with the company. This latter decision has now been reversed, the Court of Appeal (Lord Justice Atkin dissenting) being of opinion that the language of the Act was not aimed at nor did it include officials or servants of companies or partnerships, nor persons employed by individuals who were paid a fixed salary, and whose only concern with contracts made between their employers and the Council of which they were members was that, in discharge of their duty to their employers, they negotiated or concluded or superintended the carrying out of such contracts.

## Incorporated Accountants' Conference in Leeds and Bradford.

In the quiet days before the great upheaval of 1914-1918 arrangements for professional and other gatherings could be made many months in advance with a feeling that nothing would ordinarily occur to prevent the carrying out of an agreed programme. We live now in different times. In 1922 the Conference of Incorporated Accountants in London was on the eve of a General Election. In 1923 an appeal to the country closely followed the date of the meeting in Cardiff, and in 1924 the dissolution of Parliament came a week after the opening of the proceedings at Leeds and Bradford. Those present had reason to be thankful. The weather throughout was excellent in this particularly wet and dull year, and except for the absence of one or more of His Majesty's Ministers all engagements were kept, including those of the two Incorporated Accountants who held seats in the last House of Commons. The arrangements at Leeds and Bradford fulfilled the test of the high standard to which Conferences of Incorporated Accountants have attained. The welcome of the Chief Magistrates of the two cities could not have been more cordial, and the hospitality of Yorkshire as shown at Leeds and Bradford was boundless.

Following the welcome of the Lord Mayor of Leeds (Sir Edwin Airey), the President of the



Society (Mr. George Stanhope Pitt) delivered an Address from the chair, pointing out that 24 years had elapsed since the Society last met in Leeds, and paying a merited tribute to the work of the three members of the Council in Yorkshire, Sir Charles Wilson, Mr. William Claridge (Past Presidents of the Society) and Mr. Ogden Whiteley. The first public appearance of Mr. Thomas Keens as Vice-President of the Society, in succession to the late Major G. A. Evans, was drawn attention to by the President, and his subsequent participation in the Conference proceedings met with acceptance on all hands.

The President said that he found it a somewhat heavy task to have imposed upon him annually the delivery of two Presidential Addresses, and to some extent he was compelled to reiterate and expand the more salient features of his Address at the General Meeting held in London last May. In regard to the Society's headquarters, he said that in the view of the Council the Society's progress called for expression in a building which would better meet the Society's needs than its present offices, and he hoped in due course to submit a scheme on behalf of the Council enabling the Society to be provided, through the efforts of the general body of members, with a home befitting its status and position. He made no apology for again referring to the question of registration for the profession. They rejoiced in the progress and prosperity of the profession, but its position as a whole still left something to be desired, and he suggested that the importance of accountancy in relation to economics and commercial affairs called for a legal status similar to that granted to other professions. The desire of their Society was to be able to render service to the public under the most favourable conditions possible, and in this connection he directed attention to the interesting developments which had recently taken place in both the dental and the architectural professions.

Having regard to the large amount of the National Debt and to the heavy burden imposed by way of taxation on the people of Great Britain, Mr. Pitt did rightly in giving an important place in his Address to the proceedings of the National Debt Committee which is now sitting under the chairmanship of Lord Colwyn. He stated that joint evidence had just been presented to the Committee at their invitation by three representatives (including himself) of the Institute of Chartered Accountants, the Chartered Accountants of Scotland, and the Society of Incorporated Accountants and Auditors. Mr. Pitt, in the course of his Address, dealt very thoroughly with some important aspects of the matter, and in summarising his views upon the relation of debt, taxation and capital he said that taxation should be limited to such a proportion of the national savings as would permit the accumulation of additional capital as well as a steady reduction of the National Debt. Cheap capital was a first essential to industry, and any legislation affecting capital available for investment or impairing credit would have a disastrous effect on the position of the country.

Mr. Pitt spoke with warmth and gratitude of the fraternal feeling which existed between the Society and the American Institute of Accountants as representing the Certified Public Accountants in the United States—whose guest the Secretary, Mr. A. A. Garrett, had just been at a Congress held in St. Louis—and he expressed to the American Institute of Accountants the thanks of the Society for their hospitality, and the best wishes of its members for the continued prosperity of the profession in the United States.

In concluding his Address, Mr. Pitt again voiced his former expressions of optimism so far as the future of the accountancy profession was concerned, and he hoped that the Conference would be a further step in the upward progress of the Society and that those who were present would feel that they had contributed in a definite way to the common life of the profession. Before proceeding to the next business of the Conference the President accorded a cordial welcome to Mr. Sinclair McGibbon, of Perth, Western Australia, an Incorporated Accountant of over 25 years standing, who expressed his thanks in a spirited little address.

"The Accountant and Public Life" was the title of a paper presented by Mr. C. Hewetson Nelson, of Liverpool (Past President of the Society), and much to the regret of the members present at the Conference Mr. Nelson was unable to read his own contribution to the proceedings owing to loss of voice. Mr. Keens (Vice-President) took Mr. Nelson's place, and did his utmost to compensate the audience for any loss attendant upon the author not being able to present his own views. Mr. Nelson's paper was worthy of the occasion, and in saying this we are less mindful of the record he gave of the services rendered to the community by certain members of the Society than we are of the call made by him to Incorporated Accountants to place their trained skill and knowledge at the disposal of the State. It was interesting, as he said, to recall that in administering the Finance (No. 2) Act, 1915, the authorities, for the purposes of exemption from Excess Profits Duty, defined a profession as an occupation the admission to which was by examination, and over which disciplinary powers were vested in a controlling body. The record of the unpaid work of the professional accountant in relation to municipal and other local authorities is not as good as it ought to be. The table submitted by Mr. Nelson showed that only  $1\frac{1}{2}$  per cent. of the members of the Institute and of the Society are serving as members of the four main classes of local government authorities, and in the subsequent discussion it was pointed out by Mr. Ogden Whiteley that in Bradford there was not a single member of the profession serving as a member of the Corporation.

On the subject of the audit of local authorities' accounts, Mr. Nelson pointed out that nearly half of the county boroughs and boroughs have the services of qualified accountants in the capacity of either professional or elective auditors, and that to-day there are 35 corporations which have obtained powers by Act of Parliament to appoint as their professional auditors Chartered or Incorporated



Accountants. Mr. F. Ogden Whiteley and Mr. Arthur Collins, in discussing Mr. Nelson's paper, made a plea in favour of the profession taking a greater interest in the appointment of elective auditors and in the nomination of candidates with suitable qualifications. For our part, the suggestion leaves us somewhat cold. The office of elective auditor is open to anyone who can get a handful of electors to support him. The ratepayers take no real interest in making suitable nominations, and the supersession of elective auditors by Chartered or Incorporated Accountants has been advocated by the Society since Sir Charles Wilson gave evidence on the matter before the Joint Select Committee on Municipal Trading 21 years ago. If ratepayers desire that their accounts should be properly audited they have the remedy in their own hands by appointing properly qualified auditors, and that this is being increasingly done is shown by the evidence brought forward by Mr. Nelson. Either a proper professional audit must be made or the work of auditing municipal accounts will pass into the hands of Government auditors.

A considerable part of Mr. Nelson's paper was devoted to a review of the work of the Society and of its members who have been most prominently before the public. It was inevitable that the question of the solidarity of the profession and of the efforts made by the Society to achieve it should be discussed, and Mr. Nelson takes the view that "all parties are agreed that the present chaotic conditions, under which the two leading organisations have in their train an ever-increasing number of smaller societies, should be put an end to as early as possible."

Mr. Nelson was justified in the reference he made to his paper on "Professional Education" read by him at the Dublin Conference in 1911, when he drew attention to the "broader knowledge and wider culture demanded of the accountant in the modern commercial world." The revision of the Society's examination syllabus in 1920 is directly traceable to the consideration then given to this subject, and "yet," said Mr. Nelson, "I have heard members express doubt of the utility of Autumnal Conferences." Mr. Nelson was on less safe ground with his suggestions as to article clerks and the increase of examination fees. In this connection he said he would not take it amiss if someone rebuked him in the Cromwellian phrase, "Conceive, if possible, my dear Sir, that you may be mistaken."

The debate which followed permitted only of a limited discussion of Mr. Nelson's views, and we take the opportunity of publishing his own reply to the criticisms offered, from which we are glad to observe that he has recovered his usual health. It is somewhat a pity that the press of engagements at the Conference compelled the closure to be applied to each of the debates, as both Mr. Nelson's paper and that read by Mr. Henry Morgan at Bradford on "The Verification of Assets" were worthy of more detailed examination than the time allotted by the programme permitted. Mr. Morgan's paper, with the discussion thereon, is fully reported in our columns, but our own observations upon it must remain over until the next issue.

The banquet in the City Hall, Leeds, at which ladies were present, was a great success and attracted a distinguished and numerous company. The second day's Conference was in the Bradford Town Hall, where an official welcome was given by the Lord Mayor of that city, and at the conclusion of the session a luncheon was given by the Bradford and District Society of Incorporated Accountants, over which Mr. Claridge presided and at which the Lord Mayor was present. We have endeavoured elsewhere to do full justice to the proceedings, and the Society finds itself under increased obligations to Sir Charles Wilson and Mr. Claridge, to the respective Committees at Leeds and Bradford, and to the Hon. Secretaries, Mr. T. W. Dresser (Leeds) and Mr. H. Reynolds (Bradford).

## Income Tax on Excess Profits Duty Repayments.

AN important case on the assessment for Income Tax of Excess Profits Duty repayments has been decided in the Scottish Courts. The statutory rule bearing upon the matter is—

Where any person has received repayment of any amount previously paid by him by way of Excess Profits Duty the amount repaid shall be treated as profit for the year in which the repayment is received.

In the case of *Eglinton Silica Brick Company (in liquidation) v. The Inspector of Taxes* this rule has been judicially described in the Supreme Court of Scotland as "ambiguous." The case had reference to claims for Income Tax on sums of £7,224 and £1,150 repaid to the company through the liquidator after the date of liquidation, and after the company had sold the business and ceased to trade. The last Income Tax year during which the company carried on business was 1921-22. In that year there was a substantial statutory profit on the basis of the average of the three preceding years, but in the year 1921-22 there was an actual loss, though the amount of that loss does not appear from the report, and the Income Tax liability for that year was reduced to *nil*. The Excess Profits Duty refund of £7,224 was received in March, 1922, and therefore within the tax year 1921-22, though about six months after the company had ceased to carry on business. The Excess Profits Duty repayment of £1,150 was received in December, 1922, within the tax year 1922-23, during no part of which the company was in business. In adjusting the Income Tax position for the last trading year the Excess Profits Duty repayment of £7,224 was not brought into account. Nor, of course, was the £1,150. Subsequently, and as separate matters, assessments were made upon the company for Income Tax on the £7,224 as profit of 1921-22, and on the £1,150 as profit of 1922-23. Those assessments were under Schedule D. The assessment notices mentioned no

special case of that Schedule, but the £7,224 assessment was stated to be "in respect of profits of trading: Repayment of Excess Profits Duty," and the £1,150 assessment was stated to be "in respect of profits of trading: Profits arising from Excess Profits Duty repayment." The company disputed liability on a number of grounds, one of which was that there could be no Income Tax assessment for profits after the company had ceased to carry on business. The Special Commissioners sustained the assessments as valid under Case VI, which relates to "any annual profits or gains not falling under any of the foregoing cases, and not charged by virtue of any other Schedule," and under Case VI profits may be taken on the full amount arising in the year of assessment. The company appealed to the Scottish Supreme Court, where again the assessments have been sustained.

It is not proposed to consider the facts of the particular case. It seems much more important and useful to deal with the question of interpretation and principle which was argued from the bar and considered by the Judges, though one regrets to say that the opinions do not make it absolutely clear what was the precise view adopted by the different members of the Bench. The case was of course special, seeing that the refunds came in after the company had ceased to carry on business, but the arguments and opinions proceeded upon general lines equally applicable to a going concern, and it is simpler to dismiss the specialty of a wound-up business and to assume that the company was still carrying on. Three views are possible, namely:—

(1) That the refund of Excess Profits Duty is simply a credit to be brought into the account of profit and loss of the year in which the refund is received. On this view the refund will not be subject to Income Tax in the year of its receipt, but it will simply swell that year's figure in the average calculations for the three subsequent years.

(2) That, having found the average figure for the year of the refund, then the refund has to be dealt with for Income Tax in that year, and that the method of dealing with it is to relate it to the average figure of that year. Thus, on this view, if in the year of the refund there is a statutory average profit of £1,000, and the refund is £1,000, then the assessable figure for that year will be £2,000; if the average is nil, then the refund will make an assessable figure of £1,000.

(3) That the refund is in itself a self-contained separate taxable entity. This means that Income Tax must be paid upon it, entirely irrespective of the position of accounts otherwise in the year of the refund, whether taken on the basis of an average or of actual profit or loss.

As no judicial precedent was quoted in the Scottish case it is to be assumed that none exists. That being so, the decision is of the very highest importance. The decision certainly rejects the first of the three views above stated. It is not absolutely clear how the decision stands between the second

and third of those views, but apparently the Court adopted and proceeded upon what may be called the extreme view No. 3. The Lord President said the statutory rule, paragraph 1 of Rule 4, Cases I and II of Schedule D, requires the refunds—

To be treated as if they were profits of the year when they are received, and by that I understand that the sums repaid are to be regarded as sums assessable to Income Tax as profits of the year in which they are received; apart altogether from the question whether in that year the business (if still in the hands of the recipient) has been profitable or not, and equally apart from the question whether in that year the recipient is still carrying on the business or not. The repayments in short are deemed to be ascertained and assessed trading profits in the year of repayment—not merely an element in the computation of the trading or other profits of that year.

This seems to support the extreme view No. 3, and not to be consistent with the middle view No. 2.

Lord Skerrington said:

I think that the Legislature intended that the sum so repaid should be deemed to be part of the ascertained and taxable profits of that year and should not merely be regarded as a factor for ascertaining the amount of the taxable profits of a subsequent year different from the year in which the repayment was received.

This seems more consistent with the middle view No. 2.

Lord Sands said:

*Prima facie* I would have said that the rule meant that the repayment was to be treated as if it were actual profit of the year of repayment.

Then his Lordship proceeds to explain that by that he means that it would merely enter into future averages, and goes on—

To reach the result at which your Lordships have arrived we must treat this repayment as an actual profit. But it is not to be treated as such in the ordinary way, but is to be added to the notional profit of the year in order to ascertain the amount of Income Tax for that particular year.

Of the soundness of this construction of the rule, his Lordship expressed doubt.

Dismissing on this occasion, for considerations of space, the specialty of a discontinued business, we venture, with deference, very fully to share the doubt expressed by Lord Sands, for it does seem that the reasonable and natural meaning of a rule that a refund of excess profits "shall be treated as profit for the year in which the repayment is received" is wholly satisfied by carrying the refund to the credit side of the account of that year's profits, and then letting the ordinary rules of the Income Tax code operate upon it, which means that the refund is in the ordinary sense merely a factor in the average calculations of subsequent years. This, moreover, is the course which has always been adopted, and so far as we know has never been challenged before by the Inland Revenue authorities.



## LIVERPOOL AND DISTRICT SOCIETY OF INCORPORATED ACCOUNTANTS.

The annual dinner of the Liverpool Society of Incorporated Accountants was held in the Exchange Station Hotel, Liverpool, on Friday, October 24th. The chair was occupied by the President (Mr. Charles Tunnington, F.S.A.A.), and others present included the Lord Mayor of Liverpool (Councillor Arnold Rushton); Mr. George Stanhope Pitt, F.S.A.A. (President of the Society of Incorporated Accountants and Auditors); His Honour Judge Thomas; Mr. R. P. Dickson (Manager, Midland Bank Limited, Liverpool); Mr. C. Hewetson Nelson, F.S.A.A. (Past President of the Society of Incorporated Accountants and Auditors); Mr. Leo John Keena (United States Consul for Liverpool); Mr. Charles R. Whitnall (Vice-President of the Liverpool Society); Mr. Walter Moon (Town Clerk of Liverpool); Mr. Stuart Deacon (Stipendiary Magistrate); Mr. Henry Sadler (H.M. Inspector of Taxes); Mr. L. A. P. Warner (General Manager and Secretary of the Mersey Docks and Harbour Board); Mr. R. D. Cripps (Registrar of the Liverpool Court of Passage); Mr. W. H. S. Oulton (Assistant Recorder of Liverpool); Mr. E. D. Symond (Official Receiver); Mr. F. J. Burns (Chairman of the Chartered Institute of Secretaries, Liverpool Branch); Mr. Arthur E. Piggott (Secretary of the Manchester and District Society of Incorporated Accountants); Mr. C. E. Finney, F.C.A. (President of the Liverpool Society of Chartered Accountants); Mr. C. E. Dolby; Mr. E. S. Goulding; Mr. W. Chadwick; Mr. R. Duncan French; Mr. Alan Standing; Mr. C. M. Dolby; Mr. T. T. Plender; Mr. C. Semper; Mr. A. A. Van Gelder; Mr. A. A. Garrett, B.Sc. (Secretary of the Society of Incorporated Accountants and Auditors); and Mr. Alexander Hannah, F.S.A.A. (Hon. Secretary of the Liverpool Society of Incorporated Accountants).

Following the loyal toasts,

The President submitted "The Lord Mayor and City of Liverpool." Liverpool, he said, had shown its good sense in choosing Mr. Arnold Rushton to be its Lord Mayor. The citizens were very proud of the commercial institutions and the commercial community, and also of the social, educational and charitable organisations in the city. Liverpool was also proud of the great citizens it had produced in its time.

The Lord Mayor, in responding, said one got prouder of Liverpool the more one saw of it. Before giving up the reins of office at the Town Hall he would like to present to the city a flag which should portray the arms of the city, and be hoisted on special occasions on the flagstaff of the Town Hall. Now that it had been decided that Liverpool was the second city of the Empire, why should not they, as the City of London did, fly their own flag over the civic buildings? He hoped he would be allowed to leave that little legacy when he left the Town Hall, and if he were permitted to do so he would feel that he had achieved something. (Hear, hear.) Liverpool city officials were second to none. "We are a wealthy city—some of us"—(laughter)—he went on, "thanks to the help of the Society of Incorporated Accountants. That has redounded to the affluence of some of your members, and we on the other side have been thankful for the residue." (Laughter.) The five years, he added, during which he had been on the City Council had been the happiest years of his life.

Mr. L. A. P. WARNER (General Manager and Secretary of the Dock Board), who also replied to the toast, said it was men like the Lord Mayor who had made Liverpool the great city that it was. He did everything with his whole heart.

Mr. R. P. DICKSON (Midland Bank), in further acknowledgment of the toast, said he would like to testify on behalf of the banking community how much they were indebted to the ready co-operation and help, in the course of their business, afforded to them by the accountancy profession. During a long connection with the banking interests of Liverpool he had found that to be of inestimable value. The necessity for that kindly co-operation would be more apparent when one considered the important developments in modern banking in comparison with the period before the advent of the large joint stock banks. He referred to the absolute reliance which

they placed on an audited balance-sheet, especially in cases where unsecured advances were concerned. The community had entrusted to the banks very largely the care of its savings and surplus funds. The confidence so reposed in them, he thought, was evidenced by the vast sums left with the banks. It would be admitted that the banks had been faithful guardians of that great trust. (Hear, hear.) It would, he was sure, be recognised that in the handling of those big deposits the banks were intermediaries between the lender and the borrower in the mobilisation of floating capital. The banks would, he thought, find their task more difficult without the co-operation of the profession so worthily represented that night. The welfare of the community depended to a very large extent upon the disposition to trust one another. Certainly the trade of the country was only possible on that basis. Mutual trust formed a very large part of the stock-in-trade of a bank. He would instance particularly the city of Liverpool, which, as they all knew, was one of the largest of *entrepôts* in the world. The magnitude of the transactions passing through the port was colossal. A large amount of floating capital was required to finance the seasonal movements of merchandise. It was in that connection that the Liverpool banks played such a vitally important part; indeed, without their aid the business could not be done. He had had a long experience of that particular business to which he had alluded, and in no direction did the question of trust enter so largely as in these transactions against merchandise. He had only to mention such commodities as cotton, wheat, &c., to give them some idea of the commitments of the Liverpool banks in that connection. He would like to pay tribute to the honesty and integrity of the business community of Liverpool and to the faithfulness and regularity with which their engagements were honoured. (Hear, hear.) Liverpool could claim, he thought, to have given a lead to finance of that character. The Liverpool banks, through amalgamation, were in a better position to finance those huge transactions than they had ever been before. They might remember that when a local bank was being absorbed by a large institution there were strongly expressed adverse opinions as to whether it would redound to the benefit of the commercial and trading community. There were to-day, he thought, no conflicting opinions as to the wisdom of amalgamation. But for such fusions—and this could not be gainsaid—the great war, with its long and heavy drain on the financial resources of our country, would have found our banking system unable to bear the burden. It was well known, he thought, to all business men what a magnificent part had been played by the banks since the unprecedented trade slump in 1920. They were now looking forward to the time when the trade of our country would once more approach—and even, they hoped, surpass—the magnitude of pre-war days. (Hear, hear.) Thanks to their policy in times of great stress and difficulty, the banks, with their huge liquid resources, would be able to meet all legitimate demands for increased accommodation and extended credit. (Hear, hear.) They were all looking forward to-day to that revival of trade of which happily there was evidence at present. The signs were favourable. Might that revival come quickly! (Hear, hear.) They knew and realised that in looking to the future they could rely upon the continued co-operation and help of the accountancy profession in their mutual desire to assist, as far as in them lay, the industry and trade of the country. "I have referred more than once," Mr. Dickson went on, "to the banking community, and I should like, in the presence of professional and business men, on behalf of the banking community, to say what a loss we have suffered by the removal by death of Sir James Hope Simpson. He was known to you all. He was an able banker and a distinguished citizen of Liverpool. We should like to pay homage to the memory of one who served with an unstinted measure of devotion his day and generation." (Hear, hear.)

His Honour Judge THOMAS proposed "The Society of Incorporated Accountants and Auditors." The toast, he said, was that of the Parent Society—the father of a great number of very thriving offsprings. It was a privilege to propose a toast of that kind. He fully recognised that he was proposing the toast of a body which was growing more and more indispensable to the life of the community. (Hear, hear.) If the world were to be saved from the financial morass in

which it was now labouring, it must be saved on the principles of true and sound accountancy. Accountants were the protectors and guardians of the commercial community; they were the watchdogs of the commercial integrity of the world. It was to them that the public looked for the preservation of honest dealing. They protected the public, not only from others, but, as well, from themselves. What commercial concern of any great magnitude did not owe its financial stability to a sound system of accountancy? It was not only as guardians of the accuracy of books, but also as the teacher to business men of the proper system of keeping books, that the community owed a great deal to accountants. Accountants were becoming more and more a necessity to the community. "I believe," added Judge Thomas, in conclusion, "that we are on the eve of, in fact that we are already beginning, a period of great prosperity in this country. We shall see it more and more in the course of the next year. When it comes, it will be due to the fact that during all the troubled times through which we have passed we have adhered to the methods of sound finance, and that, as a nation and business people, we have presented true balance-sheets to the world." (Hear, hear.) "When the time comes that we are to reap the reward of that, then, too, accountants will reap their reward." (Hear, hear.)

Mr. GEORGE STANHOPE PITT, F.S.A.A. (President of the Society of Incorporated Accountants and Auditors), responded. After expressing his acknowledgments to His Honour Judge Thomas, Mr. Pitt referred to the examinations of the Society, and in that connection mentioned Mr. C. Hewetson Nelson as one of the senior Examiners and one of the pillars of the Society. "On the question of registration for the profession," he proceeded, "I hear all over the country expressions of wonderment that our great profession does not consolidate. Speaking for our Society, I may say that nothing will be wanting on our part to do everything that may be possible to push forward the consolidation and the eventual placing of our profession in that position to which I believe it is entitled, similar to that of the Law and Medicine and the other great professions. So far as our Council is concerned, nothing is wanting on our part to push that ideal forward." (Hear, hear.) As a body of professional accountants, he continued, they had been recognised by the Houses of Parliament—by the Commons and by the Lords—and by His Majesty's Judges, and they had the undoubted confidence of the great commercial community. It seemed to him that so far as the profession of accountancy was concerned, with the confidence which the public reposed in it, nothing was wanting, and yet their Society, which extended throughout the British Empire, and of which the members were upwards of 4,000, had no proper headquarters consistent with the position which their Society undoubtedly held. At the earliest possible date he believed a great effort would be made to put that matter right. He wanted, in London, to feel that their Society had suitable and dignified headquarters, such as the leading City Companies possessed. For that purpose they would need funds. They already had a good foundation in that respect, and he hoped that at an early date the Council would come to the Liverpool Society and other District Societies and ask them *not* to give them money, they did not want them to do that, but to take bonds, which would as a matter of fact be a most excellent investment upon the very best security. They would need a fund of anywhere between £70,000 and £100,000 for that purpose. He hoped when the time came the Liverpool Society would support the Council in no halfhearted manner. The Council would do everything possible in that direction. He was confident that the day could not be far off when gentlemen going up from Liverpool to London would have the satisfaction of going to a headquarters consistent with the position which the Society undoubtedly held. On behalf of the Society he begged to return his sincere thanks for the address with which the proposer of the toast had favoured them, and for the manner in which the gentlemen present had received it. (Applause.)

"The Legal Profession," offered by Mr. CHARLES R. WHITNALL, F.S.A.A. (Vice-President, Liverpool Society), was acknowledged by Mr. WALTER MOON (Town Clerk of Liverpool), in the unavoidable absence of Mr. David MacIver (President of the Incorporated Law Society of Liverpool).

Mr. C. HEWETSON NELSON, F.S.A.A., J.P. (Past President of the Society of Incorporated Accountants and Auditors), gave

"Our Guests." He said amongst their visitors that night they had Mr. Stuart Deacon, the Stipendiary Magistrate of Liverpool, who was a very old friend of the Society; Mr. Henry Sadler, one of those principal Inspectors of Taxes whom it was a delight to meet; and Mr. Leo John Keena, the newly accredited American Consul for Liverpool, who by his presence there that night was making his first public appearance in his official capacity.

Mr. STUART DEACON and Mr. HENRY SADLER replied. The latter commented with satisfaction upon what he described as the enlightened policy of the Council of the Society of Incorporated Accountants and Auditors in opening the door to the profession as widely as possible. (Hear, hear.)

Mr. LEO JOHN KEENA (United States Consul at Liverpool), who also responded, said in the service to which he belonged Liverpool was frankly recognised as the second city in the British Empire. (Hear, hear.)

The toasts were interspersed with vocal music by Miss Dorothy Freeman, Miss Sarah Forrest, Mr. Robert Hunter and Mr. George Kelly, with Mr. R. Lloyd Moore as accompanist.

## Obituary.

### JOHN LAWThER.

During the past month advice has been received of the death of Mr. John Lawther, Belfast, after a brief illness. Mr. Lawther was admitted an Associate of the Society in 1910, and promoted to Fellowship in 1922. He was the senior partner in the firm of Messrs. John Lawther & Co., Belfast, and was well known in accountancy and commercial circles in Belfast and the counties of Antrim and Down. He is survived by his wife, to whom sincere sympathy will be extended in her bereavement.

### CHARLES HENRY PATTERSON.

We regret to announce the death of Mr. Charles Henry Patterson, a Fellow of the Society and Borough Treasurer of the County Borough of West Ham, which occurred with tragic suddenness on the golf course at Romford on Saturday, October 25th. He had been a member of the Society since 1894, and was elected a Fellow in 1920. Mr. Patterson, who was 58 years of age, was well known in municipal circles, having occupied his present appointment for a period of twenty years; he was previously Borough Treasurer of Southwark. He was recently elected the Hon. Treasurer of the National Association of Government Officers, and was a Past President of the London Students' Society of the Institute of Municipal Treasurers and Accountants. Mr. Patterson had a kind and genial disposition, and enjoyed the confidence of a wide circle of friends and colleagues. He is survived by a widow, two sons and a daughter. The interment took place at the City of London Cemetery, Ilford, on October 30th.

### VALLENTINE SCROGGIE.

We have received with regret an intimation from Messrs. Fowler, Scroggie & Co., of Buenos Aires, of the death of their senior partner, Mr. V. G. G. Scroggie, F.S.A.A., who for 33 years had been actively engaged in the business of the firm in the Argentine and Brazil. There will be no change in the name of the firm, and the practice will be carried on by Mr. T. C. E. Fowler, F.S.A.A., and two other partners.



# Society of Incorporated Accountants and Auditors

## CONFERENCE AT LEEDS AND BRADFORD.

THE Society of Incorporated Accountants and Auditors held its Autumnal Conference in Leeds and Bradford from October 1st to 4th. Over 400 members and guests from all parts of the country attended the very successful gatherings, with which were associated a most enjoyable social programme, arranged by the Yorkshire and Bradford District Societies. The first function was a reception followed by a dance at the Queen's Hotel in Leeds on Wednesday evening, October 1st. Sir Charles and Lady Wilson and Mr. and Mrs. William Claridge welcomed the visitors on behalf of the local Societies. Early on Thursday the business of the Conference was opened in the Leeds Art Gallery by the Right Honourable the Lord Mayor (Sir Edwin Airey). Following this civic welcome, Mr. George Stanhope Pitt, F.S.A.A., took the Presidential chair and delivered his Address, which dealt informatively with the position and progress of the Society, and also reviewed the wider question of taxation and the National Debt. Subsequently a paper of practical interest, prepared by Mr. C. Hewetson Nelson, F.S.A.A., was read on the subject of "The Accountant and Public Life." In the afternoon the visitors were taken to see the beautiful Temple Newsam estate, one of the most valuable recent acquisitions of the Municipality of Leeds, and in the evening they assembled with their ladies and friends for the dinner of the Society in the Leeds Town Hall, kindly placed at their disposal for the purpose by the Lord Mayor and City Corporation.

Friday's meeting was held in the neighbouring City of Bradford, to which the visitors travelled by special train, and they were most cordially welcomed in the Council Chamber of the Town Hall by the Right Honourable the Lord Mayor (Alderman Trotter). "The Verification of Assets" was the subject of an ably reasoned paper by Mr. Henry Morgan, F.S.A.A., and it formed the basis of an interesting discussion. Later the party were entertained at luncheon at the Midland Hotel at the invitation of the President and members of the Bradford Society, and afterwards they attended an enjoyable reception by the Lord Mayor and Lady Mayoress in the Cartwright Memorial Hall, Lister Park. They returned to Leeds for an evening reception and dance given in the Town Hall by the Lord Mayor and Lady Mayoress of that city, and on Saturday they joined in an all day motor trip through the valleys and over the moors of the delightful Wharfedale district, in the course of which they paid calls at Otley to see Major F. H. Fawkes's collection of Turner paintings in Farnley Hall, at the historic and romantically situated Bolton Abbey, and at Harrogate. The members dispersed on their return to Leeds and Bradford.

### Opening by the Lord Mayor of Leeds.

THE LORD MAYOR OF LEEDS, in opening the Conference on Thursday morning, said he desired to extend to the Society of Incorporated Accountants a very warm welcome to Leeds, and he did so not only in his own name, but in that of the citizens in general. (Applause.) He trusted that their stay amongst them would be pleasant and profitable in every possible way, and that their deliberations would prove to be successful not only to the accountants themselves but the country whom they served, particularly the commercial community. He noticed that one of the matters to be discussed was "The Accountant and Public Life." Leeds he thought was most fortunate in having one of the finest examples of an accountant who was associated with public service, and by that he was referring, of course, to their good friend, Sir Charles Wilson. (Applause.) Sir Charles carried weight with them in every respect. (Laughter.) The Society of Incorporated Accountants, he understood, had some 4,000 members scattered over the British Empire. It was a young profession, but it was a very important one, and he and his fellow citizens felt it an honour that the Autumnal Conference should be held in Leeds. His Lordship added that he was looking forward to the opportunity of attending and speaking at the Society's dinner that evening, and no less to the chance of dancing in their company the following night. (Laughter.) Once more he wished them success.

The PRESIDENT moved, and Mr. THOMAS KEENS, M.P., briefly but cordially seconded, a vote of thanks to the Lord Mayor for his kindness in coming to open the Conference.

The LORD MAYOR, having acknowledged the compliments paid to him, vacated the chair in favour of the President, who thereupon proceeded to read his Address.

### PRESIDENTIAL ADDRESS

BY

MR. GEORGE STANHOPE PITT, F.S.A.A.

Ladies and Gentlemen; It affords me much pleasure to take the chair at this Conference of Incorporated Accountants and to state that the Council and the general body of members cordially appreciate the invitation extended by the Presidents of the Yorkshire and Bradford District Societies and the Reception Committee to hold this gathering in Leeds and Bradford. We are particularly pleased to meet in this centre because the work of the Society in Yorkshire is intimately connected with the activities of Sir Charles Wilson, Mr. William Claridge (both Past Presidents) and Mr. Ogden Whiteley. We cannot look back on the history of the Society without a sense of gratitude for the continued labours of Sir Charles Wilson and Mr. Claridge in the interests of Incorporated Accountants. Sir Charles has been Chairman of the Parliamentary Committee of the Council for a long period of years: the Society's progressive policy and the work which led to securing in the Courts and in Parliament those valuable decisions as to the Society's qualifications have been largely inspired by the courage and powerful stimulus he has

lent to the deliberations of the Council. In this city, of which Sir Charles is an Alderman and Freeman, I need hardly refer to his activities on behalf of his fellow citizens and to the pride which he feels at being elected one of their representatives in the House of Commons. During the whole of Mr. Claridge's connection with the Society he has particularly devoted himself to the important work of professional education. As examiner and as lecturer before our District and Students' Societies he has brought to bear a wide experience of professional work and of many spheres of education. In Mr. Ogden Whiteley the Council have a valued colleague, whose advice, particularly in regard to municipal accountancy, is ever at the disposal of the Society.

It is some 24 years since the last Conference was held in Leeds. Sir Charles Wilson, then Vice-President of the Society, took the chair in the place of the late Mr. Andrew Wallace Barr, who was absent through illness. Since then the vigour and robust character of the Society's members in Yorkshire have never flagged, and have been a source of strength to the Society in all it has undertaken.

In occupying this chair there falls to me the melancholy duty of referring to the death of Major G. A. Evans, late Vice-President of the Society. His devotion to the interests of Incorporated Accountants extended over many years and was well known throughout the Society, particularly to our friends in South Wales. The Council deplore the loss of an esteemed colleague, valued for his counsel, for his genial personality and for his disinterested service.

The Council have elected in the place of the late Major Evans, Mr. Thomas Keens, M.P., of Luton, Bedford and London, and this is the first public meeting of Incorporated Accountants at which we have had the pleasure of meeting him as Vice-President.

On this, as on similar occasions, I am glad we are able to welcome an Incorporated Accountant from overseas. Mr. Sinclair J. McGibbon, of Perth, Western Australia, is with us. We rejoice to meet in the Old Country fellow citizens and fellow practitioners from sister states of the British Commonwealth. We share their sentiments and ideals: we seek by like purpose and common institutions to express the best traditions and highest hopes of the British people. In your name I bid them welcome, and I hope that at the conclusion of my Address they will favour us with a brief contribution to our more formal proceedings.

#### THE SOCIETY'S WORK.

You will agree with me that a somewhat heavy task is imposed upon the President in delivering annually, as my predecessors have done for some years, two Presidential Addresses, first at the Annual General Meeting in London and secondly at the Autumnal Conference. It is true the accountancy profession is an ever-growing organism, and while at times a development here and a growth there take definite shape, these growths tend to be gradual. Although since the General Meeting in May the Council has been engaged upon work of importance in your interests, I cannot add a great deal to what I said in my last Presidential Address.

May I be forgiven if I reiterate and expand some of the more salient features of that Address, as many of those here to-day were necessarily prevented from being present at the General Meeting in London. So far as the membership of the Society is concerned, it continues to progress very satisfactorily by the addition to the roll of a number of candidates who have complied with the high standard of requirements which the Council maintain. I am pleased to state that a large number of Associates have responded to the suggestion I made in my last Address to apply for Fellowship. I trust that what I regard as a duty which becomes an honour may be shared and felt by every Associate who is able to comply with the requirements for Fellowship in the Society.

#### SOCIETY'S HEADQUARTERS.

I outlined to the members in May last a proposal before the Council that steps be taken to secure suitable headquarters upon the expiration of the present lease at Gresham Street. Members will agree with me that this question is not merely of local interest to those resident in London. In the view of the Council the Society's progress calls for expression in a building which may better meet the Society's practical needs than our present offices. The Council hope in due course to submit a scheme enabling the Society to be provided, through the efforts of the general body of members, with a home befitting its status and position. I earnestly trust this project will appeal to the sentiments and goodwill of every Incorporated Accountant. The Council received encouragement from the spontaneous and unanimous adoption by the members of the proposals for an increased rate of entrance fees and subscriptions. I cannot say, but it seems probable the Council may see fit to ask the members to accelerate the scheme as originally conceived, if an opportunity should present itself for the acquisition of suitable premises. In regard to the finance of the scheme, my own view is that whatever sum may be required should be raised by the issue of income bonds to the members on suitable terms. I am confident that every member of the Society will take his share, be it small or large, in the suggested issue of bonds. I have dealt with the subject at some length because it is my earnest desire to secure the widest possible interest in this movement, to which the Council will continue to give their consideration.

#### REGISTRATION FOR THE ACCOUNTANCY PROFESSION.

I make no apology for referring again to the question of registration for the profession. It is a subject which can only be discussed with reserve and moderation, but the Council wish to take the members into their confidence. We rejoice in the progress, and I think I may say in the prosperity, of the accountancy profession; yet the position of the profession as a whole still leaves something to be desired. I suggest that the importance of accountancy in relation to economic and commercial affairs calls for a legal status similar to that granted to other professions. I believe many members share my view that we should take a liberal outlook. We are confident in the strength of Incorporated Accountants and the professional status they enjoy, and will continue to enjoy irrespective of any legislation or further development of



the accountancy profession. We have noted the recent movements in countries overseas to secure the consolidation of the profession, and we are conscious of the direction in which the minds of our members are moving. I could wish, therefore, for a favourable opportunity to secure definite legal status for the profession. Our desire is to be able to render service to the public under the most favourable conditions possible.

In the serious and absorbing affairs which have occupied the public mind and the time of Parliament in recent years it is not surprising that this question has received little attention. But the Council are not supine to the importance of registration, and within the limitations which circumstances impose it has received their earnest consideration. Recently there have been interesting developments in both the dental and the architectural professions. Each of them has secured a consolidation of professional interests, on the one hand by legislation and on the other by voluntary means. Whether it be practicable for the accountancy profession to develop itself on similar lines I cannot say, but of this I am confident: that the Council will lose no opportunity to advance in any way which seems desirable the best interests of the profession.

#### NATIONAL DEBT AND TAXATION.

You are probably aware that the Government have set up a Committee, presided over by the Right Hon. Lord Colwyn, to consider and report on the National Debt and on the incidence of existing taxation, with special reference to their effect on trade, industry, employment and national credit. The Committee invited the Institute of Chartered Accountants, the Chartered Accountants of Scotland, and the Society of Incorporated Accountants and Auditors to submit a joint memorandum of evidence which represented the collective view of the accountancy profession. Each body was also requested to nominate a representative to give evidence individually upon the basis of that memorandum. Your Council were good enough to ask me to undertake this duty; my colleagues were Sir Arthur Lowes Dickinson, representing the Institute of Chartered Accountants, and Sir John Mann, representing the Scottish Chartered Accountants. This has been an interesting but somewhat difficult task, and I wish to express my acknowledgments to them for their co-operation. Through their courtesy and consideration we have been able to put before the Committee a statement which we believe represents the collective view of the profession. It is impossible to summarise in an address of this kind all the aspects of this important matter, but I should like to make some general observations.

In their intimate association with finance, commerce and industry, members of the accountancy profession cannot fail to be impressed with the grave influence exercised by the burden of debt and taxation, yet which, in my judgment, the country supports with prudence and courage. National Debt and taxation must be considered chiefly in relation to the general credit of the country, its latent earning power and taxable capacity. Practically the whole of the National Debt arises from the waste of war and is not represented by tangible assets. The effect of this debt upon trade and industry must be measured by the ability of the country to

provide, without lessening its present and future income earning capacity, for the service of the debt, and for the ordinary and necessary annual expenses of government. The relation between the creation of debt and national savings is important; any method of dealing with the National Debt should have regard to the fact that as such debt was built up from savings, so it should be liquidated through proper appropriations by the State from future savings. So far as the internal debt is concerned, we must recognise that it constitutes an integral part of capital; it is held by Government Departments, insurance companies, investment companies, banks and finance houses, trustees, private individuals and commercial and industrial people. It is frequently used as a temporary investment when, during a period of trade depression, money floats into current and deposit accounts with the banks; the requirements of business, as trade again expands, are met by the realisation of these holdings. It is my opinion that no step should be contemplated which would impair the fundamental character of such securities as represent the National Debt.

As regards the reduction of debt, the Government, by means of sinking funds, should set itself a minimum standard of debt reduction in good times and bad; in good times a reasonable portion of any surplus should be devoted to reduction of debt before fresh expenditure, however desirable, is undertaken. Repayment should be steady, gradual and consistent, not variable and irregular. Debt repayment should not reduce the ability of the nation to maintain and increase its earnings and savings, as a continuous increase in the supply of capital can only arise from savings. Commerce and industry flourish with an abundant supply of capital, and its security and stability are the basis of commercial success and progress.

In turning to the question of taxation we are faced with the fact that this country, for many years to come, has a large liability to meet, and this must necessarily mean a high level of taxation. But taxation may defeat the purpose it has in view if by serious inroads upon the capital and the saving and earning capacity of the nation, production and enterprise are discouraged. If so the taxable capacity of the nation is reduced, while the need for taxation increases. Moreover, personal thrift, so valuable to national progress, must not be discouraged by excessive taxation. Sound finance in commercial and industrial enterprises implies *inter alia*:

- (1) That each undertaking should preserve its capital intact;
- (2) That it should provide out of profits from year to year the additional working capital necessary to meet the normal requirements of expanding trade;
- (3) That it should only resort to its bankers to provide capital temporarily required either for seasonal requirements regularly discharged out of the proceeds of sales of produce or for permanent capital, pending the completion of arrangements for obtaining it out of accumulated savings. Heavy taxation, to meet which involves a disproportionate appropriation of profits at the expense of capitalised profits, is detrimental to trade expansion. This has been accentuated by the great

increase in the costs of raw material, labour, standing charges and manufacturing expenses. Trading and manufacturing companies therefore now require more capital than before the war for the same output.

The prosperity of the past has been largely built up upon the willingness of those who have had the foresight and ability to accumulate savings and to venture those savings in new enterprises; but where taxation is high and the State, while not sharing in losses, takes from enterprising people a large portion of profits, new ventures are inevitably discouraged. This, of course, must be distinguished from pure speculation, bereft of a sound commercial basis, or even worse, of commercial integrity. I cannot regard without apprehension the tendency of enterprises having foreign business to arrange for their head offices to be domiciled abroad to avoid taxation; within my experience this movement has been more widespread than is generally known.

Summarising my views upon the relation of debt, taxation and capital, taxation should be limited to such a proportion of the national savings as will permit the accumulation of additional capital as well as a steady reduction of the National Debt. Cheap capital is a first essential to industry. Any legislation affecting capital available for investment or impairing credit would have a disastrous effect on the position of the country. Economy on the part of the Government, thrift in the habits of the individual, and enterprise in the activities of the capitalist should be encouraged. This should enable us to meet our national liabilities and to maintain a higher standard of living throughout the nation. I do not doubt that, despite the change in our economic position relative to that which we occupied in the Nineteenth Century, the genius and capacity of our race will assert themselves. In bearing so formidable a burden the accountancy profession, through its members as well as in its collective capacity, is in a position to render informed and experienced service in many directions.

#### OVERSEAS MATTERS.

I have already had the pleasure of welcoming a representative of the Society from the overseas Dominions. We have watched with interest the development of the profession in the other parts of the British Commonwealth. This Society has been fortunate in receiving the services of representative Committees in Canada, in South Africa and Australia, in the pursuit of its interests. Acting upon their advice the Society has been able to maintain a common standard of admission throughout the Empire. It is true that the conditions of the profession, as between the Mother Country and the British Dominions, necessarily disclose some variation; the Council has met such special conditions where it has been found practicable. It will readily occur to you, however, that the Society has peculiar difficulties of its own under the less flexible and more concentrated conditions of an old country.

There has been an opportunity this year of expressing our fraternal greetings to the Certified Public Accountants of the United States. Twenty years ago the first Congress of American accountants was held in St. Louis, at which the Society was represented by Sir James Martin. This year

an invitation was extended to this Society by the American Institute of Accountants for a representative to be their guest at the twentieth anniversary meeting held in St. Louis. I am glad it was found possible for this invitation to be accepted, and for your Secretary (Mr. Garrett) to be present at that gathering, from which he has just recently returned. We should like to express to the American Institute of Accountants our thanks for their hospitality and our best wishes for its continued prosperity.

In concluding my Address I would reiterate my former expressions of hopefulness so far as the future of the accountancy profession is concerned. Our services individually and as a profession are being constantly sought in new directions. It is a welcome sign that there is an increasing tendency on the part of the Governments of the day to seek the advice of professional and commercial men in the tasks which fall to be discharged. The responsibility of government has increased particularly in regard to economic affairs. I am glad that in recent years the profession has been requested to submit to the Government information and advice of a character which it is in an unique position to give. I will not delay you further with this interesting topic, because I know it will be referred to in greater detail by Mr. Hewetson Nelson in his address on "The Accountant and Public Life." In this connection, however, I would mention the special services Sir James Martin has rendered to this Society and to commercial interests as a member of various Government Committees and as a witness before others. He has added to the debt we owe him for his long and able services to the Society and to the profession.

I would conclude my Address by expressing the hope that this Conference will be a further step in the upward progress of the Society, and that those who are present will feel they have contributed in a definite way to our common professional life. On the social side I know they will appreciate the opportunity of meeting their professional friends and being present at the functions to which the Lord Mayors of Leeds and Bradford and the Yorkshire and Bradford members have been so good as to invite us.

Following the reading of the Presidential Address,

Mr. SINCLAIR J. MCGIBBON (Perth, Western Australia), invited by the President to address the members, said he would like to thank them first of all for the cordial welcome they had given him—possibly the only Australian representative at that Conference. He should also like to thank the President for the very thoughtful Address which he had given. He was sure that when they got home and read the Address more carefully and digested it they would find in it very much food for reflection. (Hear, hear.) Now, as an Australian who had been on holiday since March, he wanted to tell them that he had been going about this country and he had found that they had got a fine people who were very hospitable and kind, but who knew very little indeed about Australia. Honestly, he thought Australia knew much more about the United Kingdom than the United Kingdom knew about Australia. That was a very remarkable circumstance, because they were all British, and it was only by the accident of birth that he was not born in Scotland, where his parents came from. (Laughter.) Now, that was not the time and place for a dissertation on Australia, but he would like that opportunity of saying that they were 5,500,000 people, that they were 98 per cent. British and white, and that their area was just over a quarter of that of the British Empire. That was Australia, and if within the next 24 hours anyone



wanted to know more about it he should be very pleased to tell him. So far as accountancy was concerned, their earliest institution went back to 1883, and it was called the Victorian Institute of Accountants. His father was one of the founders. It began about the time that the Institute of Chartered Accountants of England was formed. There were now several institutes in Australia—a lot of mushroom institutes had been springing up all around—but the principal one was the Commonwealth Institute of Accountants. That was confined entirely to practising accountants. This brought him to what the President had said about the registration of the profession. Now, as a result of their work, accountants were inclined to be a conservative people, and the older generation in Australia had a great antipathy towards registration, because they thought it would open the door for the time being to incompetents, and they wanted to go in for a charter. That movement so far had failed owing to external opposition. He (the speaker) still claimed to be one of the younger members of the profession in Australia, and he believed firmly that the salvation of their profession was registration, which would certainly come about sooner or later. (Applause.) In Australia it might have come years ago if they had not been tremendously handicapped. They had six States and a Commonwealth Parliament that covered the lot, and as the Commonwealth had not been inclined to give legislation to any particular profession their efforts had had to be confined mainly to the different States themselves. Spasmodic efforts had been made in those different States and committees had been set up to draft the details, and they had hoped that the Old Country would have given them a lead in that direction. From his inquiries here, however, he was afraid there was a lot of jealousy and misunderstanding, and he would have to go back to Australia and say "Well, boys, we have got to give the Old Country a lead ourselves after all." And he was persuaded that the Old Country would follow. There was another matter. The President had referred to the question of the acquisition of new headquarters for the Society. He (the speaker) had seen the present offices, and he thought that they ought to possess their own premises. In that way they would do more good to their profession. There was no profession which was growing so quickly and no profession which was more important. He thanked them for the opportunity given to him to speak on behalf of Australia. (Applause.)

The President expressed his sincere regret that Mr. Hewetson Nelson's voice had been giving him some little trouble, and under doctor's orders Mr. Nelson, although he was present with them at the Conference, had decided that he should not himself read his paper entitled "The Accountant and Public Life." The paper was accordingly read on his behalf by Mr. Thomas Keens, M.P.

## THE ACCOUNTANT AND PUBLIC LIFE

BY

MR. C. HEWETSON NELSON, J.P., F.S.A.A.  
(LIVERPOOL, PAST PRESIDENT.)

The subject of this paper was chosen for me, and if occasionally I appear to wander beyond the strict limits of its title my excuse must be that the phrase "The Accountant and Public Life" proceeded upon closer inspection to divest itself of its first characteristic of attractive simplicity and to clothe itself with a subtlety which baffled adequate interpretation. For as a matter of fact the professional accountant is never really out of public life. He can rarely, if ever, restrict his view to those by whom he is directly employed. As a company auditor he is responsible to the shareholders, and beyond them to the State. As a liquidator or trustee he has similar obligations placed upon him. In matters of taxation he must protect the public (the State) as well as serve his client. In every action of his professional career he must be actuated by regard to the public interest.

When I sought inspiration from the Society's Articles I was thrown back into space by as brilliant a piece of literary tautology as I have yet met with. For a "live" illustration of repetition of the same thing in different words it merits inclusion among the classics—

"'Public accountant' means any person whether a man or woman whose principal business or occupation is the performance of the functions of a public accountant."

I sympathise with the draughtsman. Evidently he had in his mind the declaration contained in the Building Societies Act of 1894, that "one at least of the auditors must be a person who publicity carries on the business of an accountant," and was determined to improve upon it.

Those of you who have read Mr. Sinclair Lewis' "Babbitt" will remember that when Mr. Babbitt was called upon to read a paper in one of those American cities where the holding of conventions and conferences is carried to a fine art, asked the question: "What is it distinguishes a profession from a mere trade, business or occupation? What is it? Why, its the *public service and the skill, the trained skill, and the knowledge.*" True it goes rather beyond that, as we shall see, but he had got the essential rudiments right.

It will be within the recollection of members that upon the Report stage of the Finance (No. 2) Bill, 1915, the Government moved an amendment to insert words exempting the profession of a barrister, solicitor, doctor, architect, accountant, and any profession unconnected with the purchase or sale of property or commodities from liability to excess profits duty.

Owing to an attempt made in the House to re-open the whole question of the exemption of the professions, the Government withdrew the amendment, and in its place we got sect. 39, exempting

"(a) Husbandry in the United Kingdom; and

(b) Offices and employments; and

(c) Any profession the profits of which are dependent mainly on the personal qualifications of the person by whom the profession is carried on and in which no capital expenditure is required, or only capital expenditure of a comparatively small amount,

but including the business of any person taking commissions in respect of any transactions or services rendered, and of any agent of any description (not being a commercial traveller, or an agent whose remuneration consists wholly of a fixed and definite sum not depending on the amount of business done or any other contingency)."

As was natural, members of certain occupations applied to be treated as professions for the purposes of this section, and it is interesting to recall that the tests applied by the authorities included (a) admission to the calling by examination and (b) disciplinary powers vested in some controlling body over its members. If to these we add Mr. Babbitt's definition we get a fairly sound conception of the characteristics of a profession. Articles 32 and 33 of our Society give us that last distinguishing mark, and emphasises again the public character of the accountants' calling, demanding, as they do, creditable and honorable conduct in

the practice of his profession, and reminding him that conduct derogatory to the community of his fellow members, conduct which depreciates the value of the fellowship to which he has been admitted, may be visited by expulsion.

In his Presidential Address at the Conference of the Society in London in 1922, Sir James Martin referred to the practice of the Lords' Commissioners of H.M. Treasury in appointing each year members of the profession to act as "public auditors." Clause 17 of the "Memorandum of Instructions to Public Auditors and Conditions under which they hold their Appointments," contains these words:

"A public auditor who has been found to have solicited business . . . by advertisement, circular, or other similar means, or by offering commission or other inducement . . . to other persons, will be struck off the list of public auditors."

We have this year witnessed the assembling in this country for, I believe, the first time of a great gathering of the world's advertising experts, and they have enjoyed, in the natural order of things, a very good press.

So far as our own profession is concerned, the curious position arises that although the very necessities of his work involve the accountant in a publicity from which he cannot escape, every balance-sheet signed, every liquidatorship or trusteeship accepted emphasising that publicity, the only legitimate way of making known his worth is by the character of his work. This position we have very jealously guarded.

#### AMERICA.

I am indebted to the Alexander Hamilton Institute of New York for much important detail in respect of my subject from the American viewpoint, from which it appears that little, if any, part is taken in public life, as we understand the phrase, by our colleagues across the water, but that so far as Government service is concerned the American accountant is a very important adviser in the administration of public office. One of the papers sent over for my perusal was that read by Mr. J. Arthur Marvin to the American Institute of Accountants in October, 1923, on the "Public Service of the Public Accountant." The title of this paper was very alluring, but its study revealed that the conception of public service was confined very much within the limits of strictly professional work rendered to the State or to commercial enterprises. Much of value appears in this paper, but I must content myself with one quotation only.

"Our most profitable work," says Mr. Marvin, "often is not the work we get the most money out of, but it is the work which, when well done, adds to our prestige."

After these preliminary observations I pass to my first point, viz:—

#### I.—THE ACCOUNTANT IN HIS RELATIONSHIP TO THE STATE.

I preface my observations under this heading by reminding you that to-day we have two members of our Council who are Members of the House of Commons, in the persons of an honoured ex-President (Alderman Sir Charles Wilson, LL.D.) and the present Vice-President (Mr. Thomas Keens), and this fact encourages me to hope that the moment is not inappropriate for a reconsideration of the question of the solidarity of the profession.

Twenty-one years ago I read a paper dealing largely with this subject. It is 32 years since the Society's first Registration Bill was introduced into the House of Commons, and 18 years have elapsed since the last attempt was made to secure our objective in the joint Bill of the Institute and the Society, introduced into the House of Lords in 1906. Those receding years have emphasised words uttered in 1903, to the effect that registration "is the only means of effectually protecting the public." It was to me a source of great satisfaction when, in 1922, one who in my judgment had done more than any other single person during the last quarter of a century to enhance the position of the profession, still declared that the policy of the Society in regard to registration was a policy "from which to-day we do not turn back."

All parties are agreed that the present chaotic conditions under which the two leading organisations have in their train an ever-increasing number of smaller societies should be put an end to as early as possible.

Many years ago Sir Arthur Whinney said "It would be worth all the time and money they could spend to obtain an Act of Parliament." A distinguished member of the Bench declared "The public require it, and I feel it because I see it every day in the help I receive from professional men, whose words and accounts I can accept." The fact that the Irish Free State are about to consider a Bill providing for the statutory registration of accountants, and the recent passing of the Dentists' Act, call us to a new attempt to obtain statutory recognition. The exigencies of space prevent me from dealing more exhaustively with this great question of such capital importance to all accountants, but I should like to quote, before passing on, words which may perhaps give a practical turn to the subsequent discussion.

On May 25th, 1893 (31 years ago), the Institute passed this resolution:—

"That it is desirable, with a view to legislation, that arrangements be made with existing societies of accountants."

I submit that to-day such "arrangements" can only be made through the medium of a joint Bill providing for the protection of all parties, and that the Bill should form an essential part in any arrangements as to closer working which have recently come under preliminary consideration, for it seems to me that it would be a mere tinkering with the question to enter into schemes for either closer working or amalgamation so long as the door is left open for new societies to originate and add fresh complexities to an already difficult problem.

May I now proceed to place on record some portion of that public work which members of our own Society have rendered to the State:—

(1) *Joint Select Committee on Municipal Trading, 1903.* Evidence by Sir (then Mr.) Charles Henry Wilson; also by Mr. J. M. Fells.

(2) *Royal Commission on Income Tax, 1920.* Evidence by Sir James Martin, Mr. Ogden Whiteley, the late Mr. W. G. Rayner, Mr. G. O. Parsons, and myself.

(3) *Treasury Committee on the Accounts and Audits of Exchequer Grants to Local Authorities, 1920.*

(a) Members: Mr. Richard Barrow and Mr. F. H. Owers.

(b) Evidence by Mr. E. Darnell, Mr. A. Collins, Mr. J. Gronow, Mr. J. Goulding, and myself.

(4) (a) *Companies Acts Committee, appointed by the President of the Board of Trade, 1918.*

(b) *Committee to inquire into methods of charging for gas on a thermal basis, appointed by President of Board of Trade, 1922.*

(c) *Treasury Committee on Accounting Methods of Government Departments, appointed by the Chancellor of the Exchequer, 1924.*

(d) *Committee to consider and report what amendments of the Bankruptcy Act, 1914, are desirable in regard to the provisions for the discovery and punishment of offences, appointed by the President of the Board of Trade, 1924.*

Sir James Martin a member of these four Committees.

(5) *Select Committee of the House of Commons on the Taxation of War Time Wealth (1920).* Evidence by Sir James Martin.

(6) *Private Bill Committees of both Houses of Parliament.* Evidence by Sir Charles Wilson, M.P., Sir James Martin and Mr. Arthur Collins.

(7) (a) *Lord Crewe's Committee on the Audit of Municipal Accounts.*

(b) *Sir John Butcher's (Lord Danesfort) Committee on Bond Societies.*

(c) *Poor Law Commission.*

Evidence before above three, Sir Charles Wilson, M.P.

(8) (a) *Select Committee on National Expenditure.*

(b) *Public Accounts Committee.*

Evidence by Sir James A. Cooper.

(9) *Royal Commission on Railways, 1918.* Evidence by myself.

(10) (a) *Joint Select Committee on Railway Rates and Charges.*

(b) *Railway Rates Advisory Committee.*

(c) *War Office Committee to consider the desirability of the adoption by the War Office of Accounts of a Costing nature.*

(d) *Ministry of Agriculture and Fisheries, Costing Conference.*

Mr. J. M. Fells, member (b), (c) and (d), evidence (a).

(11) *Rural Commission, Bankruptcy Law Reform.* Member, Mr. Thomas Keens, M.P.

(12) *Committee on Rating and Valuation.* Evidence by Mr. F. Ogden Whiteley, O.B.E.

(13) (a) *Committee on best method of raising money for Local Authorities.*

(b) *Committee on Stock Issues by Local Authorities.*

(c) *Committee on Rating of Railways.*

(d) *Ministry of Health Advisory Committee on Local Government Financial Statistics.*

Member of above four Committees, Mr. F. Ogden Whiteley, O.B.E.

(14) *Board of Referees in relation to Excess Profits Duty, Super Tax (Private Companies) and Wear and Tear Allowances.* Members: Mr. W. T. Walton and myself.

(15) (a) *Professional Adviser in connection with institution of Unit Costing Accounts for the Army.*

(b) *Representative on Committee appointed by the Chancellor of the Exchequer to consider Seventh Report of the Select Committee on National Expenditure.*

Lieut.-Col. J. Grimwood, C.B., D.S.O.

(16) *Income Tax Committee, 1904.* Mr. E. W. E. Blandford.

It is not suggested that the above forms a complete list, but it is, I submit, sufficient to indicate the value of the public service rendered in connection with important State matters by our members.

A question of considerable public and professional importance occurred in the Session of 1914-15 in connection with the audit of the accounts of municipal corporations, which I referred to in my Presidential Address at the Annual Meeting of the Society in May, 1915, and which I now venture to paraphrase for purposes of historical record in this paper.

In conjunction with the Institute of Chartered Accountants, we joined forces in resisting amendments proposed with the object of deleting the qualifications of membership of the Institute and the Society for the office of auditor of municipal corporations and statutory companies, and adding membership of other bodies.

The result of our joint action was satisfactory, for the Chairman of the Local Legislation Committee of the House of Commons, in a decision of that Committee, used words of significant importance when he said "We all know the standing of the Institute of Chartered Accountants and the Society of Incorporated Accountants, and that those two Societies are suitable societies to whom we can give the corporation power to entrust their audit. Knowing that, we have no evidence or suggestion of any other body or persons to whom such power might be given."

Defeated in Committee, the opposition manifested itself in the House, and eventually the qualifications of the Institute and Society, while remaining in each gas and water Bill "as the standard which no one could criticise" (again to quote the Chairman of the House of Commons Local Legislation Committee), an extension was made to the audit clause to allow of the alternative appointment of an accountant approved by the Board of Trade. Now this brings me to our opposition to the audit clause of the Aberdeen Corporation Bill. Under this the auditor could be "a member or members of one of the incorporated societies of accountants in Scotland." The Council petitioned against this on the ground that it was inexpedient to include the members of any incorporated societies, which are registered or may hereafter be registered with limited liability, without any assurance or safeguards as regards qualifications and integrity, and asked that the clause should be so amended as not to recognise membership of such societies as a suitable



qualification. The words petitioned against by the Council were eliminated, and the Bill, as amended, passed both Houses and received the Royal assent. Upon examination, the grounds of our opposition are perfectly clear. These people say "We are incorporated, like the Society, and therefore we are entitled to come in." This in spite of the decision of Lords and Commons Committees. But what did Mr. Justice Warrington say to such pretensions? In his judgment in 1907 the learned Judge said: "What I am satisfied of is that they (the public) considered that the designation 'Incorporated Accountant' denoted membership not of any society whatever of accountants which was incorporated, but membership of the definite incorporated society, which, by its tests and examinations and by its rules and requirements as to qualifications, conferred on its members a status different from that of other members of the profession who had not the same qualifications."

Much as I should like to refer in some detail to the material public service which has been freely given by accountants in connection with our various Chambers of Commerce, and particularly to the work of Sir James Martin in London, Mr. Keens in Luton and London, and Mr. Woolley in Southampton, space forbids me from more than a passing reference to this important phase of public activity.

There is, however, one matter of outstanding public interest and of national moment which must be recorded before I pass to another aspect of my subject.

On January 17th, 1918, the Council recommended, and on October 17th of the same year the members approved, the taking of a step in the history of the profession of unique and historic public importance. That step was taken with the concurrence of the Board of Trade, and approved by Order of the High Court. It was also very favourably commented upon by *The Times* and other papers. I refer, of course, to the admission of women to the profession through the doors of the Society's examinations, before the passing of the general enabling statute.

I come now to my second division, viz:—

## II.—THE ACCOUNTANT IN HIS RELATIONSHIP TO MUNICIPAL AND OTHER LOCAL AUTHORITIES.

It is a truism to say that public service is not often rewarded by public appreciation, but in spite of this fact I stand here to-day to invite more of my fellow accountants to take an interest in local government. It will be to the immense advantage of the country if they will do so. The personal character of his profession prevents most of our number from service for the State in the supreme Parliament of the land, whereas the increasing responsibilities being placed upon local authorities demand the best brains which the local community can furnish. I speak in the presence of older municipal representatives than myself, and in the presence of important municipal officials, and I do not know whether their experience will corroborate mine, but personally I entertain the fear that there is a very distinct drop in the personal fitness and general capacity of large numbers of representatives upon our local councils. For this reason, among others, I should like to see a larger

number of accountants offering themselves for service of this nature. The work, as I have indicated, may contain more of the element of duty than that of delight, but this has always been so.

A few days ago I read of a serious affront offered to a distinguished alderman of the City of London 300 years ago, because he faithfully discharged the duties of his office, and at a more recent period I heard of an equally important Yorkshire alderman whose effigy was burnt at the stake, but who still continues to serve his city, and in a more manifold capacity.

Of course, I know that there are some accountants whose advent upon an election platform is not a vote securing episode; they come to teach, and not to learn; to dictate, and not to serve. Indeed, they remind one of the entry in Samuel Pepy's diary under date June 3rd, 1667:—

"In the Treasury Chambers an hour or two, where we saw the Country Receivers and Accountants come to attend; and one of them a brisk young fellow (with his hat cocked like a fool behind, as the present fashion among the blades is)."

To this type, fortunately a very small class, I do not feel qualified or called to speak, but to the average of the younger members I appeal to carry on the good work which such stalwarts of the Society as Sir Charles Wilson, in Leeds, and Mr. Frederic Walmsley, in Bolton, have so conspicuously carried on for many years. Let the young accountant remember that there are so many financial questions involved in municipal service that his special training greatly fits him to deal with.

Through the courtesy of our esteemed Secretary, I have been able to obtain sufficient data, by means of a questionnaire, to estimate approximately the number of accountants engaged in municipal work and other particulars of interest, which I now submit.

1	2	3	4	5	6	7	8
	Total Number of Authorities.	Total Number of Accountants Serving.	Number of Chartered or Incorporated Accountants Serving.	Number of Accountants who have Served as Mayor.	Number of Accountants who are Aldermen.	Chairmanships held by Accountants.	Number of Authorities whose Accounts Audited by C.A. or I.A.
County Boroughs	171	90	64	38	32	42	84
Metropolitan Boroughs	28	24	16	2	4	8	4
Counties	50	42	30	—	12	18	—
District Councils	47	21	14	—	—	9	—
TOTAL	296	177	124	40	48	77	88

A study of these particulars indicates that probably less than 1½ per cent. of members of the Institute and of the Society are serving as members of the four main classes of local government authorities. That is the least consoling fact which emerges.

Of the accountants serving, 70 per cent. are Chartered or Incorporated Accountants, 22 per cent. have served the office of mayor, 27 per cent. have become aldermen—all of which seems to me to indicate efficiency on the part of such members.

A fact which is full of promise is that nearly half of the county boroughs and boroughs have the services of qualified accountants in the capacity of either professional or elective auditors. There are to-day 35 corporations which have power by private Act to appoint professional auditors who must be either Chartered or Incorporated Accountants, and there are at least three corporations which appoint professional auditors under general powers. There are, of course, certain boroughs whose accounts are audited by the Ministry of Health auditors, known more widely by the older term of "Local Government Board auditors." It is to be hoped that before many years are passed the Local Government Act will be amended to the extent, at any rate, of providing for the audit of the accounts of municipal corporations by professional auditors properly qualified to discharge their duties, so that the present public scandal of these important accounts being "audited" by tinker, tailor or candlestick maker, may cease.

The accountant's attitude in public life must follow the same high ideal expected of him in his professional career. He represents not only his particular burgesses, but his profession. By his conduct in public life he either enhances or detracts from the general status of his profession. Considering the small number of accountants who have so far taken up the task, we ought to be profoundly thankful to them, not only for the value of their services to their own community, but also for the important contribution they have been able to make to the general status of the profession. In penning these words I have particularly in mind that important section of our members, numbering over 300, who are exclusively employed in the accounting departments of our municipal authorities.

### III.—THE ACCOUNTANT IN RELATION TO OTHER PUBLIC BODIES AND INSTITUTIONS.

A review of "The Accountant and Public Life," would be incomplete without a brief reference to his activities as auditor or director of the great public companies of the country. One of the features, indicative of the growing appreciation of the value of the accountant in commercial matters, is shown in the frequency with which his services are requisitioned as director.

Another indication is found in the provision of many statutory undertakings, such, for instance, as the Mersey Docks and Harbour Board for the audit of its accounts by qualified accountants.

I refer you also to the many hospitals and other charities in connection with which our members, and members of the Institute, act as honorary auditors.

As a final illustration of this type of professional service I recall the fact that during the war, in addition to much other work, our Society undertook to find honorary auditors for the auxiliary hospitals and local centres of the British Red Cross Society throughout the country.

It was in this connection that the Hon. Sir Arthur Stanley wrote:

"Will you please convey to the members of the Society of Incorporated Accountants the very sincere and grateful thanks of the Joint War Committee of the British Red Cross Society and the Order of St. John for the assistance that has been given by them to the auxiliary hospitals throughout the country in the preparation of their accounts for presentation to the War Office. We have now received the accounts of nearly 900 hospitals, most of them in a form which has made our work comparatively easy. This is largely due to the kindness of your members, and I hope that at the annual meeting you will express to them our very high appreciation of the valuable work which they have done for us, and for the auxiliary hospitals."

### IV.—PREPARATION FOR THE DEVELOPMENTS OF THE FUTURE.

During the last twenty years or so the profession has created its own literature. Its productivity in authorship has been very marked. In the main, however, we have, at any rate for the present, to look to our examinations as the chief source of influence in creating the broader knowledge and wider culture demanded of the accountant in the modern commercial world.

In October, 1911, I submitted for your consideration, at the Dublin Conference, a paper on "Professional Education." Six months later Mr. Garrett read a paper on the same subject before the Incorporated Accountants' Students' Society of London. That virile body gave the subject its serious attention, and in November, 1913, issued an extremely valuable report upon the question. I am glad to record the fact that the report bears the signature of our present honoured President. The report was submitted to the scrutiny of a Special Committee of the Council, who, in July, 1914, reported to the Council in favour of the suggestions made by the London students.

The new subjects (economics, costing accounts, and statistical methods) came into operation for the first time in May, 1920.

And yet, Sir, I have heard members express doubt as to the utility of Autumnal Conferences!

I have recalled these facts in order to make a further proposition of perhaps a more drastic character.

I suggest for consideration the abolition of premiums, but not the abolition of articles of clerkship. At the same time the examination fees should be substantially increased, say,

Preliminary from £1 11s. 6d. to £5 5s.

Intermediate from £2 2s. to £10 10s.

Final from £2 12s. 6d. to £15 15s.

Furthermore, the pass standard should be considerably raised. Why do I make these suggestions?



I make them for several reasons. In the first place the abolition of the premium would remove the last artificial barrier to entry to the profession, a barrier which has raised the criticism that the profession is only open to sons of those who can afford to pay a premium.

My second suggestion is made because I believe the examination fees are altogether too low. The enhanced status of the Society is due to the whole body of members. New members inherit the benefits of the toil of 40 years incessant work and vigilant watchfulness. The additional income will be needed for the future development of the Society, especially when we get into our new headquarters.

My third suggestion I make in the belief that we are fast reaching the point of overloading the profession. By that I mean that the profession itself cannot absorb all the men who qualify year by year, and it is only by reason of the fact that so many commercial companies and firms have within recent years found it desirable to appoint qualified accountants as heads of their accounting departments that has given our newly qualified members an opening. This in turn re-acts upon the profession in another way which in time may prove a serious menace. I think you will all appreciate my meaning.

However, I may be unduly alarmed, and content myself by treating these thoughts in the light, as I said before, of suggestions for future consideration, and I certainly shall not take it amiss if one or other of our more sagacious members rebuke me in the Cromwellian phrase, "Conceive, if possible, my dear Sir, that you may be mistaken."

At the conclusion of the brilliant paper which Sir Josiah Stamp contributed at the Conference of the Society held in Liverpool in 1921, he used the following words:—

"I hope that out of the rising generation of accountants there will be at least 1 per cent. who have the real itch for knowledge, and whom the microbe of curiosity will give no rest. If this small number are the ones who conceive the ideas, formulate the plans, and act as the general dynamic, and then we have another 5 per cent. to 10 per cent. who are willing to give some time to following the lead of these pioneers . . . you will have a body of workers who will achieve all that I have in mind."

If I remember rightly, Sir Josiah's paper was, at the time, received with some criticism, but at a later stage we rewarded the reader with the Honorary Fellowship of the Society.

At any rate, the able Editor of *The Incorporated Accountants' Journal* (which sooner or later will have to be published more frequently than once a month) made this comment:—

"Sir Josiah Stamp says, 'Accountancy is oblivious of its trusteeship.' It is the fault, undoubtedly, of too many of its members that their horizon is limited by the walls of their own offices or those of their clients. Accountancy as a whole has produced its leaders, who have not scrupled to give of their best to the nation. But they have had their special difficulties to contend with, a code of professional ethics has had to be constructed, and a professional literature has required

to be created . . . The progress of the profession along the lines desired by Sir Josiah Stamp has been retarded to some extent by want of unity, although an understanding during recent years between Chartered and Incorporated Accountants has led to an improved position which enables greater concentration on the development of scientific accountancy as against the devotion of a vast amount of time to questions relating to the protection of interests of a more sectional nature."

In view of this authoritative statement, with which all who have given the subject serious consideration must agree, viz, that the progress of the profession has been "retarded," I make no apology for submitting a contribution which I believe will at least demonstrate that progress has been made, even although it may have "halted on palsied feet," and I am not without hope that interwoven somewhere in the present paper may be found at least one or two ideas which may not be unworthy of further investigation in the interests of the public accountants of to-morrow.

#### Discussion on Mr. C. Hewetson Nelson's Paper.

MR. FREDERICK HOLLIDAY (Leeds) said Mr. Nelson was most consistent in his views, for, as most of them knew, he was the embodiment of public service. (Hear, hear.) In Sir Charles Wilson they had another embodiment of public service. The President had referred to the difficulty of preparing two Presidential Addresses in one year. It might be worth considering, he thought, whether the Conference and the Annual Meeting could be amalgamated and held together in one part of the country. They would probably have larger gatherings, for they would have to leave their practices only once a year, and perhaps it would give them more opportunity to scrape together the additional funds needed for the purpose. (Laughter.) The President had also referred to the need of finance on sound lines. As to that, he remembered that on one occasion Sir Charles Wilson declared "What is the use of getting into debt when we can borrow the money?" (Loud laughter.) Like Mr. Nelson, continued the speaker, he should not object to the dropping of premiums on articles, but he was not sure that there was any way out, or rather any connection between premiums and what the author of the paper had called the overloading of the profession. Some of their younger men, noticing how many thousand members the Society had got, were wondering how on earth they were going to get their own living. Mr. Nelson had rebuked some of them for not going on to the city and town councils. What he should like to know was the position of those who were willing to serve but who were unacceptable. He personally had tried twice. Once, when his wife was canvassing for him, she asked a man, "Will you vote for Mr. Holliday?" and the man replied very definitely "No, I won't; I know him!" (Loud laughter.)

MR. GEORGE PALMER (London) said it was quite time as a profession that they finished talking beautiful platitudes, and that they should see, because there were no two ways about it, that they must have registration. It was necessary in the interests of both the public and the profession. Nothing had been said about advertising in the newspapers. They could not go into any town in the country without seeing scores of offices claiming to be income tax inquiry agencies. They described themselves in the papers as accountants, but they did the work very badly, and they were not accountants at all. A few years ago one of his clients in the West End of London said his charges were too much. Well, he replied that they were not, and he told the client that if he got a cheaper man it might be dearer in the end. They parted in a perfectly friendly way, and the client went to an unregistered, or what he might call an uncontrolled, accountant. Some time later he telephoned him to go and see him, and he said "You were right two years ago. You know that chap I got in. Well, I do not know how he did it, but he got into my books and goodwill, and he robbed me of some thousands of pounds."

He gave that as only one instance. In 1906 there were certain members of the Institute, young men who had paid premiums for articles in what they regarded as a closed profession, who opposed the Bill that was brought forward, but since then they had been sorry they did so and wanted to make amends, and they were as anxious as anybody now to get registration.

Mr. ARTHUR COLLINS (London) said he wished to support the appeal of Mr. Nelson to the profession, and particularly their own branch of it, to take a more active part in the local government side of public life. They could not all be leaders in public life as well as leaders in their profession. That much was admitted. They knew the saying in Leeds that there were aldermen, councillors, and, of course, Sir Charles Wilson. (Laughter.) In the same way it was common knowledge that in many towns election to the work of public bodies had to be achieved mainly by proceeding through political channels, and it was recognised as frequently undesirable, of course, that accountants should ally themselves with any particular party. It was all a matter for the individual, it was true, but as an instance of what he meant, there were some towns where, whatever one's political persuasion might be, a party was so much in the minority that the best man it could put up could never hope to be elected, solely owing to his political tendency. So he would make a suggestion as to a form of public service which accountants could render, and which would, he thought, be very desirable and acceptable. He referred to the auditing of accounts by elective auditors. One of the weakest spots in local government was that which permitted the accounts of public bodies to be audited only by elective auditors. (Hear, hear.) They all knew cases of men who were elected and who seemed to be very unpromising material for the important duties they were supposed to perform. He once saw the accounts of an elective auditor signed "O.K. J. Smith." (Laughter.) It was not difficult to understand that the gentleman in question, who was a brewer's labourer, might have been afraid of signing an ordinary certificate, and actually the term he used expressed his views and came as near perfection as possible. (Laughter.) It did seem to him, continued the speaker, that here there was an opening for their profession to render service to the public, and in different localities the members of the Society should make it part of their business to say that they had an Incorporated Accountant who was ready to be appointed to the elective auditorship. It was true that he might have to undergo the racket of an election, but that did not often happen, and as a rule the votes cast did not number more than one in a thousand. He need not be a super accountant or a man who had an immense practice and thus not much time for the job. He might be a young, active man who would take a real interest in the work, and he should seek to be elected, not because it might be an advantage to him in his profession, but because he would be serving the public. (Applause.)

Sir CHARLES WILSON (Leeds) said he thought something should be said about the present position regarding registration. He wanted to tell them that in the Council he had moved, with all the force of which he was capable, that steps should be taken to bring about an inquiry as to possible arrangements for a closer working with some, if not all, of the existing bodies of accountants. (Applause.) He believed the Council was of opinion that, without waiting for anyone else, efforts should be launched towards a great consolidation of the members of the profession. In his paper Mr. Nelson had suggested the abolition of premiums but not that of articles of clerkship. He (the speaker) would do away with neither. It was necessary that young men just entering upon their work in the profession should be able to look to the premium as their sheet anchor. For the first two or three years there was comparatively little in their earning capacity. It took many years to reap the return from their training. He wished to commend the splendid suggestion which had been put forward by the President. It would, he thought, strengthen the position and the membership of the Society if they had their offices in some suitable, imposing building in the great Metropolis of the Empire. True, it would cost more money to purchase and to maintain, but on that matter he thought they could rely on the members of the profession to see them through. He quite appreciated the view of their overseas visitor, but at the same time he wanted to tell him

that they had a great affection for 50, Gresham Street. It was there that they had grown and expanded beyond expectation, and in a way, of course, they would be sorry when they had to move to a larger place. Nevertheless, they could not be bound by precedent, and they had to progress carefully by stages. It would have to be done in the most careful manner imaginable. Speaking of Mr. Nelson's views about public life, his mind went back to the first Liverpool Conference, when he believed he put forward the idea that accountants should take a fuller share in public life. At that time Mr. Nelson was a distinguished member of the Liverpool Society, and he had served as Mayor of his own town, and served with considerable distinction. If they would look up the records they would see that the first mention by anyone was made there: that their members should take up more public work, especially as they would bring to it many excellent qualities. (Applause.)

Mr. S. M. RIX (Bradford), speaking as one of the younger members, said Mr. Nelson had predicted that he might be rebuked and told "Conceive, if possible, my dear Sir, that you may be mistaken." He (the speaker) was going to take that opportunity. Mr. Nelson had suggested that the fact that commercial companies and firms were providing openings for their younger accountants would be in one sense a serious menace to the profession. He could not agree with that statement. He himself was in that position—that was to say, he was engaged with a commercial concern—and he felt that those who were like him could be of great assistance to the wider circle of the profession. The accountant-student was brought up on an easy dietary. He did not meet with anything in the nature of commercial practice. He was brought up in the office and on text-books at home, and actual mixing with the commercial world, as it were, did not enter into his training. The knowledge of commercial procedure which he got when he went to audit was a different matter altogether. He (the speaker) had been both—he had audited the accounts, and now he was in control of the accounts—and in his opinion every young accountant would do well to spend a few years in the office of a big manufacturing concern before he went into practice.

Sir JAMES MARTIN (London) said he wished to make one or two observations in regard to the remarks which had fallen from Mr. Sinclair McGibbon. It was a great pleasure to him to see Mr. McGibbon and to hear what he had to say. Mr. McGibbon had lamented that the public knew so little about Australia. He (the speaker) did claim, however, to know something about the profession there, and about the organisation of the profession. In January, 1886, Mr. Charles A. Cooper, of London, went out to Australia with certain powers from the Council, and he then formed the first Branch of their Society. It was felt by some of the Australian accountants practising in Victoria that it would be a good thing to have their own society, and the Incorporated Institute of Accountants of Victoria was formed in that year, and of this he happened to be one of the first honorary members. Another observation which he would make might serve to allay any feeling which existed in the profession in the Commonwealth of Australia. That referred to the application for a Charter. Opposition came originally from their Society in the United Kingdom. That opposition was met, and satisfactorily met, and the Society withdrew its objections. Any failure, therefore, must not be laid at the door of their Society. Continuing, the speaker said he would like to express his deep regret that their friend, Mr. Hewetson Nelson, had not been able himself to read his paper. (Hear, hear.) They all owed Mr. Nelson a great debt of gratitude in regard to those Conferences, because at Liverpool twenty years ago he set them a high standard, a standard they were endeavouring to live up to. The paper which Mr. Nelson had just put forward was of such wide scope that some concentration was absolutely necessary. He should like to refer to one subject on which he could not agree with Mr. Nelson. He had advocated the abolition of the premium on articles but not the abolition of the articles of clerkship. He (the speaker) was sorry that Mr. Nelson made no reference to the special bye-law of their Society, a bye-law which permitted a long period of service without articles, and which had been made use of by some of the ablest members of the Society, and he personally was not prepared to allow that bye-law to go. So far as Sir Charles Wilson's proposals were



concerned, he could only say that he should like to see them in print, and he would then give them most careful and judicial consideration. (Laughter.) Coming to the question of public service, he felt that it was perfectly true that it was the first duty of a man to perfect himself in the knowledge of his profession, and then to apply it for the advantage of himself and those whom he served. But that was not all. There was a duty which he owed to the country and to the Empire. In his opinion there never was a time when there was such need for the help which they as professional men were able to give. Public service widened their knowledge and their sympathies, and if properly undertaken it would bring them the fullest measure of satisfaction and happiness. (Applause.)

Mr. F. OGDEN WHITELEY (Bradford) said that, as a member of the Council of one of the two Societies at whose invitation they were meeting there, he wished to say how glad they were that the Autumnal Conference was being held in Leeds and Bradford. They one and all desired that it should be a success. He wished to support what Mr. Collins had said in regard to the elective auditors. Mr. Nelson had spoken about the scandal of this work being undertaken by the tinker, tailor and candle-stick maker, and the conviction of some of them in that connection was very strong. It was competent for the local authorities to appoint such officers as they thought fit, and many had actually appointed professional accountants to audit their accounts, but he would like to see it made an absolute requirement that these accounts should be audited by professional auditors of qualified standing. When they considered that a city like Leeds had 450,000 people and Bradford 300,000 people whose lives and health and happiness and commercial prosperity depended in a large measure on the men who represented them, the call to public service ought to be stronger than it was. In Bradford no member of their profession was among the 84 members of the City Council. That was not as it should be. (Hear, hear.) Mr. Nelson had told them that only 1½ per cent. of their profession were serving in local government. They had 296 local authorities, and the Chartered and Incorporated Accountants who sat on them numbered 124. That meant that not even on every other authority was there one Chartered or Incorporated Accountant. Finance was so essentially a feature of local government that he felt that there ought to be a certain spirit of public sacrifice on the part of their profession. (Applause.) The question of the standard of examination had been mentioned. Mr. Nelson seemed to have some fear that their numbers were getting too big. He (the speaker) was not quite with him in thinking that the higher the standard of examination went the higher would be the standard of the profession. He agreed with Mr. Rix that they could do with a great many more qualified accountants in the offices of their great manufacturing concerns.

Mr. F. J. WARREN (Haverfordwest) said he spoke as one who had anticipated the call to public service, and in that connection he wanted, if he might, to give them some encouragement. He had been a municipal officer of some 27 years standing, who had given his services to the finance committee of one of the Welsh County Councils. The President had spoken of the need of finance on sound lines. That applied with equal force to the finance of the county councils and municipalities. He did not wish to repeat what had already been said, but he did want to press the appeal which had come from the author of the paper, and he would have liked that appeal to have been even stronger. The public needed their expert advice, and, speaking from experience, he could assure them that their services were fully and deeply appreciated. A great deal of unsound borrowing for what was known as capital expenditure was being allowed to-day, and in a few years time it would, he felt sure, bring them into a very unsound position. It ought to be closely watched and protested against, and prevented. They could help the taxpayers and the ratepayers in financial matters, and they had the opportunity. He should also like to see more of them following the example of Sir Charles Wilson and Mr. Thomas Keens by going into the Legislature. They needed many more accountants in Parliament. They wanted in the first place more legislators, and then they wanted as many as possible on their big county councils and municipal authorities to keep down a great deal of unwise, ill-timed expenditure. (Applause.)

The discussion then closed, the PRESIDENT intimating that Mr. Nelson, although feeling better, was unable to reply. A cordial vote of thanks to Mr. C. Hewetson Nelson for his paper, and to Mr. Thomas Keens, M.P., for reading it, was unanimously adopted on the motion of Mr. ALFRED WALTON (Leeds), seconded by Mr. WILSON BARTLETT (Newport).

The PRESIDENT then moved that votes of thanks be accorded in the name of the Conference—

(1) To the Right Honourable the Lord Mayor and Corporation of the City of Leeds and the Chairman of the Arts and Libraries Committee for kindly granting to the Society the use of the Municipal Art Gallery for the Conference.

(2) To the Right Honourable the Lord Mayor (Sir Edwin Airey) and the Lady Mayoress for cordially receiving and hospitably entertaining the members of the Society and their ladies attending the Conference.

(3) To Sir Charles Wilson, M.P., LL.D., Mr. Frederick Holliday, Mr. T. W. Dresser (President, Vice-President and Hon. Secretary respectively), and the other members of the Yorkshire District Society for the excellent arrangements made and for the entertainment of those attending the Conference at Leeds.

Mr. THOMAS KEENS, M.P., formally but cordially seconded the motion, which was put to the Conference from the chair, and adopted with great acclamation.

The proceedings were then adjourned.

#### Mr. C. Hewetson Nelson's Reply on the Discussion.

The Editor of the *Incorporated Accountants' Journal* has invited me to pen a reply to the discussion which took place upon my paper, at which I was unfortunately unable to be present. May I say, in parenthesis, that the specialist to whom Sir Charles Wilson directed my steps on the morning of October 2nd proved extremely efficient in his treatment. May I also take this opportunity of thanking the many members who, at the Conference, and since that date by letter, have so kindly made inquiries regarding my progress. I am happy to say that the trouble has now practically vanished.

I have, by courtesy of the Editor, read the discussion which followed the reading of the paper by the Vice-President.

I have to thank all the speakers for their expressions of appreciation of the subject matter of the paper.

To Mr. Frederick Holliday I would venture the reminder that abilities such as he possesses should be used for the public service, and the fact that once or twice his candidature has not met with that success which his merits entitled him to anticipate should but serve to remind him of the many distinguished Statesmen who, not one or twice, but many times, have failed to secure election, and yet have persevered until their inherent value was appreciated and they met with their reward.

I agree with the words of wisdom uttered by Mr. Arthur Collins. No one is better entitled to advise, and the avenue of service which he suggests is one where the profession might well render invaluable service.

When my friend Sir Charles Wilson determines, "with all the force of which he is capable" (to quote his own words), "to bring about an inquiry as to possible arrangements for a closer working" with certain other bodies of accountants, I refer him to the warning to which I gave expression in my paper when I suggested that such contemplated "arrangements" would be valueless unless they hastened the day of registration by means of a joint Bill. Numbers are all very well if you secure them without discounting the value and status of the membership. We must, however, never forget that Parliament, through its Local Legislation Committee, has declared: "We all know the standing of the Institute of Chartered Accountants and the Society of Incorporated Accountants . . ." Our first care must be to conserve that "standing," and to take no step which might be calculated in any way to diminish it. When the proposals are laid before the Council and subsequently, the members, *in propria forma*, we shall all, I am sure, to use Sir James Martin's words, "give them careful and judicial consideration."

Turning to the observations of Mr. Ogden Whiteley, may I express the hope that before many months pass the Bradford Society may take to heart his words and make it its business to remedy the appalling state of a City Council without a single Incorporated Accountant amongst its members!

I am indebted to Sir James Martin for his particularly kind words of appreciation, and although neither he nor Sir Charles Wilson concur in the abolition of "premiums" I am well content to leave that problem to be solved in the future evolution of the profession.

I conclude with my thanks to Mr. Keens for so readily undertaking the task of reading the paper.

### CONFERENCE AT BRADFORD.

The Conference was resumed on Friday, October 3rd, at the Bradford Town Hall. The members met in the Council Chamber, where, before the business was proceeded with, they received a civic welcome from the Lord Mayor (Alderman H. M. Trotter). The President (Mr. George Stanhope Pitt) was in the chair, and his supporters, in addition to the Lord Mayor, included Mr. Thomas Keens, M.P. (Vice-President), Sir Charles Wilson, M.P. (Leeds), Sir James Martin (London), Mr. Henry Morgan (London), Mr. W. Claridge (President of the Bradford District Society), Mr. F. Ogden Whiteley (City Treasurer, Bradford), Mr. A. A. Garrett (Secretary), and Mr. H. Reynolds (Hon. Secretary of the Bradford Society).

#### The Lord Mayor's Welcome.

The LORD MAYOR said he was sure they would excuse him if, before conveying to them the city's welcome, he referred to the sad news which appeared in the Press that morning. He alluded to the death of Sir Robert Fox, Town Clerk of Leeds. Many of them on the previous evening were the guests of Leeds, and to find that so eminent, clever and well qualified a servant of that city had died during the night must be a matter of great regret to them. (Hear, hear.) He had had the honour of Sir Robert's personal acquaintance for some years, and having been long a member of the Bradford City Council he could say that Sir Robert's death was a loss not only to Leeds but to the whole country. (Hear, hear.) Sir Robert was looked upon by municipalities generally as a guide and a friend, for besides giving loyal service to the City of Leeds he was at the disposal of all the municipalities in the country. Sir Charles Wilson had lost a great friend, for Sir Robert had been identified with him in many movements for the benefit of Leeds.

The members of the Conference rose in their places in endorsement of the Lord Mayor's remarks.

The LORD MAYOR, on behalf of the citizens, then gave the Conference a very hearty welcome to Bradford. (Applause.) He fully recognised the importance of their profession, and hoped that, on the lines of the able speech of Mr. E. George Arnold, Pro-Chancellor of the University of Leeds, at the dinner on the previous evening, they would go forward and develop the accountancy profession. He had always claimed that the success of a municipality, whether large or small, depended to a very large extent upon the weight of trade that could be attracted to the town to keep the citizens employed; and the services of the accountant in guiding the finances of commercial concerns were becoming more and more necessary as time went on. In the olden days there were traders who would have laughed at the idea of calling in an accountant or auditor; they went on the old rule of thumb methods, and managed their own affairs, and they would probably have been saved a great deal of money had they not been so stupid. In welcoming them to the city he deplored the fact that they had so little time at their disposal, because Bradford had many things it could show them in which, he believed, they would be interested. If they could pass a resolution to come to Bradford again, he should be one of the foremost to welcome them. (Applause.)

The PRESIDENT proposed a vote of thanks to the Lord Mayor for so kindly opening their deliberations and for placing at their disposal that magnificent hall in which to meet. Above all he wished to thank the Lord Mayor for his address and for having attended their banquet on the previous evening notwithstanding the fact that he had recently been indisposed.

"However," said the President, "I believe the Lord Mayor has acquired the reputation in Bradford and the district of being lion-hearted"—(hear, hear)—"and nothing can keep him from carrying out the high ideals of duty which he has set for himself." (Applause.) Remarking that they had been treated in similar generous fashion by the Lord Mayors of other great cities, the President said he thought it was because it was generally recognised that they were the servants of commerce, and that the object of their deliberations was to enable them the better to serve commerce. On behalf of all Incorporated Accountants he offered the Lord Mayor their very sincere thanks for his courtesy and kindness that day. (Applause.)

Mr. KEENS formally seconded the vote of thanks, intimating that he would have an opportunity later of speaking at greater length.

The motion was carried with acclamation, and the Lord Mayor, in responding, said that if he were to repeat what he had said before as to the welcome the city desired to give the Conference he could hardly place more emphasis upon it. He was pleased to find that many of his good friends in Bradford were members of the Society. There was his friend Mr. Claridge, who had done so much for Bradford in educational matters—who was working in the educational sphere when he (the Lord Mayor) was quite young. He was glad, too, to see that their City Treasurer (Mr. Whiteley) was an Incorporated Accountant. (Applause.) "We place no value upon our City Treasurer," said the Lord Mayor, "because he is priceless." (Applause.) Observing that he had that morning sat for a few moments with the Recorder on the Bench at the City Quarter Sessions, the Lord Mayor said: "You have my authority to do whatever you like. You can have the freedom of the city. And if any of you should get into trouble and you come before the Lord Mayor—well, you understand it is a clean sheet." (Laughter.)

### THE VERIFICATION OF ASSETS

BY

MR. HENRY MORGAN, F.S.A.A.  
(MEMBER OF COUNCIL.)

The duties which devolve upon the professional accountant in his capacity as auditor of a limited company are arduous and onerous, and there is no part of his work which is of greater importance, or which carries with it more responsibility, than the verification of the assets set out in the balance-sheet which he is called upon to certify. If any reminders of the onerous nature of his duties are required, they are furnished from time to time by the occurrence of serious frauds, which arouse keen public interest by reason of the extraordinary circumstances surrounding them, the heavy sums of money involved, and the widespread area over which their effects are felt.

From our point of view as professional accountants, special interest attaches to these cases, as they serve to indicate dangers and difficulties which we may encounter in the course of our work. As legal action frequently follows, the judgments delivered by learned Judges require to be carefully studied since they operate to establish the principles by which we must be guided, to define the scope of our duties, and to determine the extent of our obligations and responsibilities.

When cases occur in which assets standing in balance-sheets at substantial amounts are discovered either to have disappeared or to be of little or no value, one is almost invariably asked by business acquaintances "What can the auditors have been doing?" or, "How is it possible for such things to happen if the books have been properly



audited?" From the discussions which ensue it is evident that in the minds of a large section of the business community there exists an altogether erroneous idea as to the nature of a balance-sheet, and as to the duties, powers, responsibilities and obligations of an auditor. Almost invariably there are exhibited a tendency to overstate the duties of an auditor, a misconception of his functions, and a failure to appreciate the limitations and restrictions imposed upon him.

#### THE AUDITOR'S DUTIES.

The Companies (Consolidation) Act, 1908, defines the powers and duties of the auditor in very few words. They are contained in two short sub-sections; sect. 113, sub-sects.

(1) and (2), read as follows:—

(1) Every auditor of a company shall have a right of access at all times to the books and accounts and vouchers of the company, and shall be entitled to require from the directors and officers of the company such information and explanations as may be necessary for the performance of the duties of the auditors.

(2) The auditors shall make a report to the shareholders on the accounts examined by them, and on every balance-sheet laid before the company in general meeting during their tenure of office, and the report shall state—

(a) Whether or not they have obtained all the information and explanations they have required;

(b) Whether, in their opinion, the balance-sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of their information and the explanations given to them, and as shown by the books of the company.

It is, however, to the many able judgments which have been delivered from time to time that we must look to obtain a fuller definition of the auditor's duties and functions, and of the principles by which he must be guided from the legal point of view.

"It is no part of an auditor's duty to give advice either to directors or shareholders, as to what they ought to do. An auditor has nothing to do with the prudence or imprudence of making loans with or without security. It is nothing to him whether the business of a company is being conducted prudently or imprudently, profitably or unprofitably. It is nothing to him whether dividends are properly or improperly declared, provided he discharges his own duty to the shareholders. His business is to ascertain and state the true financial position of the company at the time of the audit, and his duty is confined to that."

"An auditor is not bound to be a detective, or to approach his work with suspicion or with a foregone conclusion that there is something wrong. He is a watchdog, not a bloodhound."

"The duty of an auditor is verification, not detection."

"He is not an insurer: he is not bound to do more than exercise reasonable care and skill in making inquiries and investigations, and what is reasonable care in any particular case must depend upon the circumstances of the case."

"The duty of the auditor is to verify the facts which it is proposed to state in the balance-sheet and to verify them, using ordinary and reasonable care and skill."

The above are extracts from judgments in certain well known cases by which the duties and functions of an auditor are recognised as having been established. The obligations, however, defined therein must be regarded as the minimum which the auditor is required to fulfil from the legal point of view, and it will, I am sure, be agreed that the practice of accountants is to aim at a standard materially higher than mere compliance with legal requirements. It should be specially noted that it is laid down that the primary object of an audit is not the detection of fraud. If the auditor were required to approach his work from the attitude of a detective his position, which is frequently difficult enough as it is, would become intolerable. The general public, however, believe—is entitled to believe, and is justified in believing—that an audit of the accounts of a public company by a qualified accountant is an adequate safeguard against the existence of fraud, for if the methods of check and verification usually employed and recognised as necessary by accountants are carefully and thoroughly applied, fraud, if it exists, should be brought to light; and even if this were not the immediate consequence, it is difficult to see how, save in very exceptional circumstances, the auditor's suspicions would not be aroused, and so cause him to make more exhaustive investigation.

#### SECURITIES.

Having referred generally to the duties of an auditor, I will now pass to consideration of certain of the various classes of assets which he will be required to verify. First of all I take "Securities," which constitute a prominent feature of the balance-sheets of an important class of companies comprising banking, insurance, trust, investment, and finance companies.

The auditor's duties in regard to the verification of securities extend further than in the case of other classes of assets such as stock, book debts and plant and machinery. It has been laid down that it is no part of an auditor's duty to take stock, and that he is entitled to rely upon the certificate of the company's officials, but it has always been the practice of accountants to verify securities by actual inspection where practicable, and this is the view taken by the Courts of the auditor's duty. The reasons would appear to be due, firstly, to considerations as to what is practicable and reasonable, since securities can be readily handled and dealt with, and the accountant, by his training and experience, should possess the knowledge necessary to see that securities are in order; and, secondly, to the fact that "securities" in many cases constitute the most important part of a company's assets, and are in fact the item in the balance-sheet upon which a company's stability is considered mainly to depend.

#### THE CITY EQUITABLE CASE.

The recognised authorities on "auditing" do not devote much space to the verification of securities, and the Courts appear to have refrained from laying down any very definite rules for our guidance. Within the last few months, however, the case of the *City Equitable Fire Insurance Company, Limited*,



has been decided in the Courts, and lengthy and carefully considered judgments were delivered by Mr. Justice Romer in the Court of First Instance, and by the Master of the Rolls, Lord Justice Warrington and Lord Justice Sargant in the Court of Appeal. One of the principal issues in the case against the auditors was in relation to the verification of securities, and the views expressed by the Judges have caused much comment and discussion throughout the accountancy profession.

Instead of inspecting the whole of the securities, the auditors had obtained a certificate from the company's bankers that a certain number were held by them, and a similar certificate from the company's stockbrokers in respect of other securities; and it was in regard to the acceptance of the latter certificate that their action was called in question. In the Court of Appeal the Master of the Rolls in the course of his judgment said:—

"I . . . do not wish in any way by anything that I say to discharge the auditors from their duties as laid down in the *Kingston Cotton Mills* case. Far less do I wish to discharge them from their duty of seeing that securities are held, and only accept the certificate that they are so held from a respectable, trustworthy and responsible person, be that person the bank or be it somebody else, but in applying my mind to the facts of this case I am not content to say that simply because a certificate was accepted otherwise than from a bank, therefore there was necessarily so grave a dereliction of duty as to make the auditors responsible. I think, in the light of the evidence which has been given, it is for the auditor to use his discretion and his judgment, and his discrimination as to whom he shall trust; indeed, I think that is the right way to put a greater responsibility on the auditor. If you merely discharge him by saying he accepted the certificate of a bank because it was a bank you might lighten his responsibility. I think he must take a certificate from a person who is in the habit of dealing with, and holding, securities, and whom he on reasonable grounds rightly believes to be, in the exercise of the best judgment, a trustworthy person to give such a certificate. Therefore I by no means derogate from the responsibility of the auditor—I rather throw a greater burden upon him—but at the same time I throw a burden upon him in respect of which the test of common sense can be applied, and common business habits can be applied, rather than a rigid rule which is not based on any principle either of business or common sense."

The Judge also expressed his agreement with the view of Mr. Justice Romer regarding the custody of the securities, to which I refer later.

The practice of lodging securities with bankers for safe custody is well recognised and generally employed in this country. An auditor accepts a bank certificate as to the amount of the "cash at bank," and there would appear to be no good reason why he should not accept a bankers' certificate regarding securities held by them. In the case of a company where it is usually provided by the resolution

relating to operations on the banking account that securities will only be delivered upon receipt of an order signed by two or more directors or officials, I should consider that a bank would be safer than, and preferable to, the custody of the company itself, where it might be possible for some single person to obtain possession of them. It may, therefore, be considered that apart from any circumstances to arouse suspicion, an auditor, in accepting the certificates of recognised banks, has exercised all reasonable care in regard to the verification of securities held by them.

The question of accepting certificates from stockbrokers, safe deposit companies, insurance companies, and other custodians in lieu of actual inspection, presents greater difficulty, and the auditor must use his own judgment in each special case as to what is practicable and reasonable, having regard to all the circumstances under which they are so held. I hold the view that the auditor should require inspection of the securities, provided it is reasonably practicable, and by so doing he is relieved from the onus of having to decide whether it is proper or not to accept a certificate. In all cases where securities are not in the possession of the company itself, a certificate should be obtained to the effect that they are held free of any charge or lien, or, if otherwise, setting forth particulars of such charge or lien.

#### THE CUSTODY OF SECURITIES.

There is likely to be considerable diversity of opinion in business circles regarding the view expressed in the *City Equitable* case, that it is the duty of the auditor to require that securities should be removed from what he may consider improper custody, even though he can make a personal inspection, and that in default thereof he should report the fact to the shareholders. I would ask you to contrast this with the statement of Lord Justice Lindley in the *London and General Bank* case, which has been so frequently quoted. In reviewing the duties of an auditor he said, "It is nothing to him whether the business of a company is being conducted prudently or imprudently. . . . His business is to ascertain and state the true financial position of the company at the time of the audit, and his duty is confined to that." The custody of securities is surely a matter coming within the definition of "the conduct of a company's business" and the views expressed in the two cases referred to appear to be in conflict.

It should be noted that in the *City Equitable* case Lord Justice Warrington and Lord Justice Sargant both stated that it was arguable that there was no negligence on the part of the auditors, even without reference to the article on the basis of which the case was decided in their favour. The decision in this case, therefore, leaves in doubt whether the auditor must decide as to the propriety of the custody of securities. If so, it appears to be an extension of the responsibility of the auditor as previously laid down, and in the absence of any indication as to the principles by which he should be guided, might place him in a position of considerable difficulty, especially as to where to draw the line between what is undesirable and what is improper. Clearly the directors must trust someone with the custody of the

company's securities, whether the custodian be a bank, safe deposit or insurance company, two or more of their number, or of the officials or agents of the company, or even a single director or other individual. Clearly, also, the nature of the custody must be a determining factor in the mind of the accountant as to the steps which he should take to ensure that the trust has been fulfilled, and that the securities at the time of the audit are in the possession of the custodian and under the unfettered control of the company. Although many business men may contend that, provided the auditor's requirements as to production or proof of possession of the securities have been complied with, the responsibility of deciding as to whether their custody is proper or otherwise does not rest upon him, most accountants would unquestionably take the view that the custody of securities is a matter in regard to which an auditor is under an obligation to satisfy himself, failing which he should refer to it in his report.

#### INSPECTION OF SECURITIES.

Securities may be divided into three classes, viz:—

- (1) Inscribed stocks.
- (2) Bearer bonds and shares.
- (3) Registered stocks and shares.

It is desirable that inspection of the securities should take place on the day after the date of the balance-sheet, but this is not always practicable. Where stocks are inscribed in the name of the company, where bearer securities are produced, and where stocks and shares are registered in the name of the company and the certificates therefor are produced, the verification, although responsible, is practically routine work and presents little difficulty. It frequently happens, however, that for obvious reasons it is not desirable to put stocks and shares into the name of the company, and they are inscribed or registered in the names of directors or other nominees. In the case of inscribed stock a declaration of trust should be produced, and the certificates for registered stocks and shares should be accompanied by transfers executed by the nominees. These cases also present little difficulty to the auditor.

It will be in regard to the verification of securities where the documents of title are not produced that difficulties are more likely to arise. Three fairly common cases suggest themselves, viz:—

- (1) When securities have been pledged.
- (2) When the inspection takes place some time later than the date of the balance-sheet, and securities in the meantime have been disposed of.
- (3) When, as is frequently the case with colonial and foreign investments, the bonds or certificates are kept abroad.

With regard to pledged securities, the auditor should obtain a certificate from the lender as to the amount of the advance and the security held. This is in accordance with the usual practice and, apart from any extraordinary circumstances, would appear to be covered by the rule laid down in the *City Equitable* case, that the auditor "must take a certificate from a person who is in the habit of dealing with and

holding securities, and whom he, on reasonable grounds, rightly believes to be, in the exercise of the best judgment, a trustworthy person to give such certificate."

When securities have been disposed of between the date of the balance-sheet and the time of the audit, the auditor should inspect the contract for the sale and see that the proceeds have been duly paid over to the company. If, however, the amount of the proceeds remains as a debt due to the company, then unless the company still retains the documents of title pending receipt of the debt, I consider that the auditor should require very definite evidence and assurance that the securities were actually held by the company at the date of the balance-sheet.

With regard to colonial and foreign investments, it is very often the custom to keep the documents of title abroad, as being more readily accessible in the case of a sale, and, as in the case of bearer securities, they frequently have to be deposited for voting purposes. If securities are deposited with a bank of standing, the auditor would be justified in accepting the bank's certificate. If, however, as in the case of a company having a branch abroad, the securities are in the custody of local officials, then a certificate should be furnished that they have been produced to some independent party, such as an accountant, solicitor or banker.

When auditing the accounts of a company holding the whole or the greater part of the share capital of subsidiary companies, it is important that losses which any of them may have suffered should be brought into account. As a general rule such subsidiary companies are practically departments of the parent company's business, and therefore their losses are losses of the parent company. Obviously it would be unsound for credit to be taken in the profit and loss account for dividends distributed by certain of the subsidiary companies that may be earning profits, while ignoring the losses suffered by others. The auditor should therefore call for the accounts of all subsidiary companies, and satisfy himself that the book value of the investments has been adjusted so as to give effect to all losses that have been sustained.

#### WINDOW DRESSING.

In the *City Equitable* case the Judge, when reviewing the procedure of the auditors in regard to verification of the securities, dealt at some length with the "window dressing" operations which had been carried out annually. The practice is unquestionably a reprehensible one. I would describe it as a manipulation of the assets producing a temporary change in their nature in order that the balance-sheet may convey to the shareholders and the public a sounder (and therefore a false) impression as to the financial stability of a company than would be the case if the assets were shown as they normally exist. The irony of the situation lies in the fact that the auditor is required to certify that the balance-sheet exhibits a *true and correct* view of the state of the company's affairs. To a minor degree the practice is not uncommon, but it is, to say the least, undesirable. The position in which the auditor is placed is an invidious one, but short of the operation being carried out

upon a scale that practically amounts to dishonesty, I do not see that he can take the drastic step of informing the shareholders that the assets set out in the balance-sheet are of an abnormal or temporary character. It is clearly laid down that his business is "to ascertain and state the true financial position of the company at the time of the audit, and his duty is confined to that." In such cases, the gilt-edged securities or cash, as the case may be, would be actually owned by and in the possession of the company, or standing to its credit at the bank on the date of the balance-sheet. With the restrictions as to the extent of his duties so clearly laid down by the Courts the auditor is practically powerless, although he may consider that the temporary character of part of the assets is information that should be communicated to the shareholders.

I venture to raise the question as to whether it is not desirable that the auditor's duties should be extended so that if in his opinion any exceptional or fictitious transactions have taken place, which have had the result at the date of the balance-sheet of effecting an abnormal or temporary change in the nature of the company's assets, he should call upon the directors to disclose the fact in their report, or, in default thereof, that he should do so himself. I fully realise the difficulties of such an extension of the auditor's duties. I recognise the strength of the arguments that may be put forward against it, but I think it will be agreed that some such provision would effectually put a stop to an undesirable and objectionable practice.

#### LOANS.

As a preliminary to consideration of the item "Loans" I would again refer to the *City Equitable* case, and the judgment of Mr. Justice Romer, in which he says: "If the directors choose to lend money to their brokers, or their general manager, there is no reason why they should not do so, nor can I see any reason why the auditor should call the attention of the shareholders specifically to the fact of their having done so. In the words of Lord Justice Lindley, an auditor has nothing to do with the prudence or imprudence of making loans with or without security. He must, of course, take care that he does not bring into his balance-sheet at face value a debt that is not a good one."

This view as regards the lending of a company's money appears to me inconsistent with the high standard placed upon the auditor's duty as regards the propriety of the custody of a company's securities.

For our present purpose loans may be considered under three headings, viz:—

- (1) Loans on undoubted security.
- (2) Loans where the principal object has been the accommodation or the benefit of the borrower.
- (3) Loans to directors or officers.

The verification of loans coming under the first heading presents little difficulty to the auditor. He will require production of the deed of mortgage or charge, verify the security in the same way as he would verify securities belonging to the company, and satisfy himself that the

security is adequate to cover the amount of the loan and interest.

Loans coming under the second heading may present considerable difficulty. They may be loans without security, or, if security be given, its value may be doubtful or difficult of estimation; frequently they are loans to companies which are controlled by, or associated with, the company whose accounts are being audited. In the words of Mr. Justice Romer, the auditor "must take care that he does not bring into his balance-sheet at face value a debt that is not a good one." The problem presented to the auditor is undoubtedly a difficult one. In these cases I fail to see how he can be expected to value such debts any more than he can be expected to value stock-in-trade, and I suggest that the auditor is justified in relying upon the directors' estimate of the value of the debt, which should be embodied in a formal minute, provided it is consistent with such information and evidence as he may be able to obtain.

With regard to loans to directors or other officials of a company, the auditor is frequently placed in a very unpleasant position. Such loans are almost invariably undesirable, and there must always be a point at which they become improper, in which event the duty of the auditor is clear. The auditor's difficulty is to decide when such a point is reached, and his decision will be influenced largely by the question as to whether the company holds any security, and, if so, by its nature and value, and also by the circumstances under which the loan is made.

#### CASH AT BANK AND IN HAND.

Cash at bank should be verified by an examination of the bank pass book, supported by the certificate of the bank. In the case of balances with foreign banks it is necessary to convert the foreign currency into sterling at the exchange rates on the date of the balance-sheet. In the case of cash in hand it is advisable that the actual cash should always be counted, even though the balance may be small, if only for the reason that by so doing the auditor is not placed in the position of having to decide at what point it becomes necessary for him to require production of the cash.

Where defalcations occur it will generally be found that the irregularity is not the failure to produce the balance shown to be in hand according to the cash book or petty cash book, but that it results from the falsity or omission of entries in the books themselves. It is therefore more important that the auditor should satisfy himself that the cash books show the balances that ought to be in hand at the time when the audit takes place. The steps which may be considered necessary to ensure this must depend upon the circumstances, especially as to whether there is a system of internal check by which the cashier's work is kept quite separate from the keeping of the personal ledgers.

In the case of small businesses and branches, where the keeping of the cash book and the posting of the ledgers may be done by one person, it is advisable to compare the counterfoils of the receipt book and the banker's paying-in book with the entries in the cash book at the time of the audit.



## PROPERTIES.

With regard to freehold and leasehold properties, and the steps which the auditor should take for the purpose of verification, to a large extent my previous observations regarding securities will apply. The practice of lodging title-deeds with a company's solicitors is one that is sometimes encountered, and recent decisions emphasise the importance of the auditor satisfying himself as to the title-deeds being in proper custody. In the *City Equitable* case the view was expressed that the deposit of securities in the hands of stock-brokers would only be justified for such period as may be necessary for the purpose of their dealing with them in the course of their business, and the same considerations would apply to the placing of title deeds in the hands of solicitors. If title deeds are not in the custody of the company itself, then they should be lodged with the company's bankers. It is most important that the auditor should ascertain that freehold or leasehold properties have been conveyed or assigned to the company. If properties are held by a trustee, or trustees, on behalf of a company, as is sometimes the case, the auditor should see that the conveyance or assignment has taken place with the authority of the board, and that a declaration of trust has been executed.

It will frequently be the case that a company may possess a valuable lease, but for which it originally gave no consideration, and which therefore may not appear as an asset in the financial books. This latter fact would not relieve the auditor from his obligation to verify. The acquisition of the lease should be shown by the company's minute book, and the auditor should therefore keep a careful record of such leases held by the company to ensure their verification at each annual audit, as otherwise, by reason of the fact that no value will be set against them in the financial books, they might be overlooked.

## STOCKS.

The auditor's duties in regard to the verification of stock are largely governed by the well known case of the *Kingston Cotton Mills Company, Limited*. It was there laid down that it is no part of an auditor's duty to take stock, and that in regard thereto he is justified in relying upon "the returns made by a competent and trusted expert." In practice it is the custom for auditors to accept the certificates of the manager or managers in control of the business or the different departments thereof. Such certificates, however, like all other certificates upon which an auditor may rely, should not be accepted without examination and inquiry and the application of such tests as are available to him, not merely as a safeguard against dishonesty, but mainly to ensure that errors of principle in regard to valuation have not been made. The general principle in regard to the valuation of stock is that it should be calculated at cost price or present market value, whichever is the lower. The auditor, however, should make inquiry as to whether any part is surplus or obsolete stock, and if so, whether adequate allowance has been made therefor. It will frequently be found that stock may be stored with warehousemen or held by other agents on behalf of the company. In these cases the auditor should have produced to him the warrants or other acknowledgment

that it is so held, and that it is free of any charge, or, if otherwise, giving particulars of the charge.

## WORK IN PROGRESS.

The considerations in regard to stock apply largely to work in progress. When, as is generally the case, proper cost accounts are kept, it is possible to check the valuation of work in progress by reference to the cost ledgers. In the case of companies whose business it is to undertake contracts, the execution of which may extend over considerable periods, there arises the further and important consideration as to whether, and to what extent, it is proper to take into account the anticipated profit or loss on any special contract for the purposes of the balance-sheet. If between the date of the balance-sheet and the time the audit takes place a contract has been completed, or if at the time of the audit it is possible with a reasonable degree of accuracy to calculate the cost of completing a contract, then if in either of such cases it shows a profit it is sound and proper to add to the cost of the contract at the date of the balance-sheet such proportion of the profit as the cost to that date may bear to the total cost. On the other hand, the question arises whether in the event of a contract showing a loss it is sufficient to deduct a proportionate part thereof similarly arrived at. In my opinion it would be quite proper to apply the same principle in the case of a loss as in the case of a profit, but that certainly objection should not be taken if, in pursuance of an ultra sound policy, it were decided to deduct from the cost price at the date of the balance-sheet the whole of the anticipated loss upon a contract.

## BOOK DEBTS.

For the verification of book debts it is usual for the auditor to rely chiefly upon the sold ledger accounts. Special attention and inquiry should be directed to accounts that may be overdue, and an assurance obtained from some responsible official or employee acquainted with the accounts that full provision has been made for bad and doubtful debts.

When, as frequently happens with branch businesses, the accounts are under the control of one person, and a system of internal check is not practicable, it is a common practice to send to all debtors "audit" statements, with a request that in the event of the same not being agreed the debtor should communicate with the auditors.

## PLANT AND MACHINERY.

Although in the case of many companies plant and machinery represent a large proportion of the total assets, it is quite usual for the auditor to accept the correctness of the plant and machinery account in the ledger, and to limit his efforts to satisfying himself that the amounts debited to the account are really additions and improvements, and not expenditure which should be charged against revenue; that adequate provision has been made for depreciation; and that the amounts representing items sold or which have become obsolescent or worn out, are eliminated from the account.

It may seem that this limitation is in contrast with the procedure adopted in regard to the verification of other classes of assets, but experience goes to show that the steps indicated meet all ordinary requirements, and it is significant that there is no recorded case in which it has been contended that loss has arisen through failure to verify plant and machinery. It frequently happens that the amounts realised for the sale of plant and machinery are credited to the plant and machinery account. This is incorrect, as the amount to be credited to that account is the written down value of the items realised, and the difference, if a loss (which is usually the case), must be written off. In cases where the value of plant and machinery is considerable, however, it is advisable that the auditor should require a certificate from a responsible official that, apart from such items as have been disposed of, particulars of which are recorded in the books, the plant and machinery shown to have been acquired by the company still remain its property.

#### THE INDEMNITY OF THE AUDITORS.

In the course of this paper I have made numerous references to the judgments in the *City Equitable* case, and it would be well to call attention to the indemnity clause in the articles of association of that company. This is an article which, in varying form, usually appears in all well drawn articles of association. Under this article the directors, auditors, secretary and other officers of the company were to be indemnified against all actions, costs, &c., which they might incur or sustain by reason of any act done except such as they should incur or sustain by or through their own wilful neglect or default. It was held by the Court of First Instance, and confirmed by the Court of Appeal, that the auditors were entitled to the protection afforded by this clause in the articles, and that, provided they conducted the audit honestly and in good faith, they were relieved from liability even though they might have been negligent or might have held a mistaken belief as to their duty. From the point of view of accountants such an article is a valuable protection, and it will, I think, be generally agreed that it is one to which they are rightly entitled, for it is not reasonable that they should be open to the very heavy liabilities which they might otherwise incur.

#### REPORTING TO THE DIRECTORS.

Although there is always a certain amount of routine work in an audit, there are few audits where some matters do not arise in regard to which the auditor is in some doubt or difficulty, or with which he may be somewhat dissatisfied. All such matters should be reported to the directors, and they are entitled to the information because the responsibility for the issue of a true and correct balance-sheet is one which they share jointly with the auditor, although frequently directors seem to regard themselves as free from responsibility for the balance-sheet merely because it is certified by the auditor. I hold the view that an auditor should always attend the meeting of directors when the balance-sheet is approved, and that he should discuss fully with them all matters arising during the course of his audit with which he may not be altogether satisfied, or which he considers should be brought to their notice.

If this course is followed, the auditor will almost invariably find that any doubts or dissatisfaction will be dispelled, because I have always found that the directors of public companies as a whole are equally desirous with the auditors that their company's affairs should be in order, and the balance-sheet beyond question.

It is my experience in the case of public companies, and I think most accountants will confirm it, that more frequently than otherwise discussions regarding the many queries that must arise in the course of an audit, and even the settlement of the balance-sheet itself, take place with the secretary or the chairman or managing director, and the auditor does not come into personal touch with the board as a whole. The provision for a report to the shareholders, such as is contemplated by the Companies Acts and which is to be "read before the company in general meeting," is practically a "dead letter," and save in exceptional circumstances it is incorporated in the stereotyped form of certificate at the foot of the balance-sheet. The objections are obvious against anything like a full report, which almost necessarily would include information of a private or confidential nature, the disclosure of which to the general public may have a most injurious effect upon the company's interests. There can, however, be no objection to such a report to the *directors of a company*, and in my opinion a far more valuable provision would be that the auditor should be required to make a *full* report to the directors upon the balance-sheet and the accounts that have been examined by him. Such a report should deal fully with all the items in the balance-sheet, and in the case of the assets should state the means which the auditor has adopted to verify them, the extent to which he may have relied upon certificates, and by whom such certificates are given. If in addition it were required that the auditor should attend the meeting when the balance-sheet is passed by the board so that he may give information upon matters which may be raised by any of the directors, I consider that there would be provided a most valuable safeguard, not only for shareholders, but more especially for directors, for it must be borne in mind that in the case of public companies many of the directors do not take a very active part in the business, and frequently do little more than attend periodical board meetings; further, that it is unusual for them to look into the books of account, and that, even if they did so, many of them have not had the training or do not possess the knowledge necessary to understand them fully.

It may often have appeared to many of us that boards of public companies are unnecessarily large, including as they do many directors who do not take an active part in the company's business, and, in fact, are not expected to. This, however, is an effective provision against fraud and dishonesty provided that the directors as a whole are furnished with full information regarding the affairs and assets of the company, for it is significant that there is hardly an instance of fraud in connection with public companies where the whole or even the majority of the directors have been aware of the fact, but it has almost invariably happened that one or two directors have been able to conceal from the rest of the board the real position of affairs. If it were laid down that a course of procedure somewhat on the lines I have indicated must be

followed, I am confident that not only would the auditor frequently be relieved from a position of some difficulty, but that it would have the result of avoiding many such losses and disasters as have occurred in the past.

#### THE REPORT OF THE AUDITOR.

If an auditor finds that the assets in the balance-sheet which he has to certify cannot be verified to his satisfaction, then it becomes his duty to report the fact to the shareholders, and his report should be in unmistakable terms so that it will be clearly understood by the average shareholder. Such a reference as may be calculated merely to put shareholders on inquiry is not sufficient, and I would again direct attention to the judgment of Lord Justice Lindley in the case of the *London and General Bank, Limited*, in the course of which he stated that "an auditor who gives shareholders means of information instead of information in respect of a company's financial position does so at his peril and runs the very serious risk of being held, judicially, to have failed to discharge his duty."

... "The duty of an auditor is to convey information, not to arouse inquiry, and although an auditor might infer from an unusual statement that something was seriously wrong, it by no means follows that ordinary people would have their suspicions aroused by a similar statement if, as in this case, the language expresses no more than any ordinary person would infer without it."

It is a testimony to the high standard of integrity and business efficiency in this country that serious irregularities in regard to balance-sheets are extremely rare, so rare indeed that business men frequently suggest that a considerable part of the auditor's work is superfluous. Occasionally, even, there is observable a certain irritation or annoyance at the idea that they and their staff are being put to needless trouble; but it should be borne in mind that the responsibility of the auditor is a heavy one, and that in all probability he is only carrying out the procedure which the accountancy profession, as a result of many years' practice and experience, considers to be necessary before he signs his certificate that the balance-sheet exhibits a true and correct view of the state of the company's affairs according to the best of his information and the explanations given to him and as shown by the books of the company.

#### Discussion on Mr. Morgan's Paper.

Mr. J. HERBERT HALEY (Bradford), on the question of goodwill, said that recent legislation appeared to have created a somewhat dangerous precedent and placed additional responsibility on the auditor who was seeking satisfactorily to discharge his duties to the shareholders. It had been looked upon that if profits had been applied in reduction of this or other capital items by resolution of the shareholders, and actually credited in the reduction of those assets in the company's accounts, the profits so applied had been irrevocably parted with and could not in any conceivable circumstances be brought back either for the purpose of getting rid of a debit balance on profit or loss or for other revenue purposes. To empower directors with authority to create profit by disturbing writings off in past accounts did not appear wise, and it was inviting trouble not only to the companies concerned but also to all its officers, and especially the poor auditor. It was difficult for any accountant to place on an item like goodwill a reliable value such as would enable him to advise directors or shareholders for the purpose of

either writing off a debit on profit and loss or otherwise. Another item that had struck him was in connection with book debts. Very often on the transfer of business and assets to a company, for the purpose of saving stamp duty, the book debts or a portion thereof were omitted from the sale to meet a similar amount of liabilities also excluded. In all such cases it would appear necessary to follow very carefully these excluded debits and credits in order to see that the necessary adjustments were made in the vendor's account in regard to the debts.

Mr. G. R. LAWSON (Bradford) congratulated Mr. Morgan on a most excellent paper, and drew attention to the aptness of the word "verification" in the connection in which Mr. Morgan had used it. "Verification" meant to make true. To establish the truth seemed to be the essence of the auditor's duty in regard to a balance-sheet. He had never been able to understand why the word "auditor" was used in connection with their profession, because the word really meant "a hearer," and their duties went very much beyond hearing what the officers of a company might have to tell them. (Laughter.) He could not understand the use of the word, except perhaps in the light of the Yorkshire saying, "Hear all, say nowt"—they knew the rest. (Laughter.) With regard to work in progress, in the Bradford district they were familiar with cases where the work in progress was very small but where the contracts were very considerable. They did not always find that sales contracts were covered by bought contracts, and *vice versa*, and consequently any variation of prices was of considerable importance at the time of the making of the balance-sheet, and the question arose whether it was not advisable to take account of these variations in prices between contracts bought and contracts sold. His own personal feeling was that it would not be wise to take a favourable variation. The point he wished to make was this: should they not take account of the unfavourable difference on balance? This principle was not recognised in the Finance Act, except very partially, and he believed very reluctantly. But he thought it an important point and worthy of consideration. He thought Mr. Morgan was treading on dangerous ground in suggesting that the principle of apportioning, to the date of the balance-sheet, profit on a contract in progress might also be applied in case of a loss. He (the speaker) thought the loss should be provided for, or that at any rate attention should be called to the loss in the report. Respecting the audit statements sent out in regard to book debts, did Mr. Morgan suggest that the auditor himself should examine these statements and personally send them out, or was he satisfied to leave this function to the officers of the company?

Colonel JAMES GRIMWOOD (London) said it must be a great satisfaction to Mr. Morgan and his Bradford friends—for he understood that Mr. Morgan, though a Welshman, was a native of Bradford—(laughter)—that he was able to come back to his native town and deliver an able and enlightened address as a very honoured member of that Society. (Applause.) Mr. Morgan and he had frequently dined together, worked together, and disagreed, and when they disagreed on a subject they were very determined not to agree. (Laughter.) He hated flattery, and as it had been his duty in responsible positions to command Welshmen to do or die, he felt entitled to speak his mind frankly, and what had struck him was that Mr. Morgan had gone through this paper telling them that an auditor's duties were verification of assets and nothing else. He had pointed out other responsibilities which were not necessarily those of the auditor, and had shown what escapes they might make from responsibilities which he (the speaker) should regard as moral responsibilities of the auditor. There was only one other point he would like to make. He agreed that an auditor's life was an extremely difficult one. No doubt most of those present who had been in practice had got the sack from various audits for doing what was probably right. He would quote one case of his own. It was only a small fee, or perhaps he would not have taken so strong a line as he did. (Laughter.) It was a company in which the directors were taking commissions, and he pointed out that these commissions, having been paid to directors, required the sanction of the shareholders. The answer he got from the directors was that they scrapped the whole balance-sheet and only showed profit and loss, and there was not one intelligent shareholder who



asked for a balance-sheet. "I got the sack," said Colonel Grimwood, "and a greengrocer was appointed in my place." (Laughter.)

The President said he had no intention of intervening in the discussion except for the purpose of calling the attention of the Conference to the latter part of the paper, which he considered was of outstanding importance. He referred to the suggestion that auditors should attend board meetings when their accounts were adopted, and report fully in writing on the balance-sheet. So important indeed was this, in his opinion, that he thought it was worthy of consideration as to whether the Companies Acts themselves should not be altered so as to give effect to the recommendation. If Mr. Morgan's suggestion were carried out it would be a very great advance indeed in audit practice, and he commended it to the favourable consideration of the Conference. (Applause.)

Mr. H. HORSFIELD (Bradford) said he had thoroughly enjoyed the paper. He had hoped that the criticism would have taken the form of questions rather than set speeches. There was one point in reference to assets—if such they might be called—in the nature of preliminary expenses, on which he would like Mr. Morgan's opinion as to the correct treatment.

Mr. E. W. E. BLANDFORD (London) remarked that the President had said exactly what he had intended to say: that he hoped something would be done about Mr. Morgan's valuable suggestion that directors should be compelled to have the attendance of the auditor when the balance-sheet was considered. That, in his opinion, was the point of the whole paper, and it was one of the things that should come out of it. In regard to the verification of assets, he suggested to Mr. Morgan that it would be well if the words in the certificate of the building societies were adopted: "and we each one of us have personally inspected." It would be a valuable addition to company law. "We have two Members of Parliament present, who are members of our Council," he remarked, "and if we cannot make use of them I do not know what good they are." (Laughter.) He suggested that an effort should be made to get the company laws altered. He congratulated Mr. Morgan on his paper most heartily.

Mr. T. KEENS observed that the challenge of Mr. Blandford could not be allowed to go unnoticed. It was news to him that he represented the Society in Parliament; he was under the impression that he represented the Aylesbury Division of Buckinghamshire. (Laughter.) But of course problems affecting accountancy would come before one in the House of Commons, and it would be possible to do something to assist the profession. At the same time he would like to remind them—and Sir Charles Wilson would bear him out—that professional topics in the House of Commons at the present time were not particularly popular with the Front Bench, as was found out when the question of cost accounting in the Army was before the House in the early part of the Session. The remarks then made by the Secretary of State for War would not have been received with acclamation by that assembly. With respect to company law amendment, he mentioned that only two days ago he put his name on the back of a new Bill, but that had reference to further protection of the public by an extension of the law relating to prospectuses. They knew as well as he did that our custom in this country was to pass a law, and for a number of extremely ingenious people to endeavour to find a method of getting round it. It could not be denied that things had been done in recent years in flagrant disregard of the law relating to prospectuses. With regard to the suggestions which had been made for amendments of the company law, he would like to say that he did not think it possible to get any amendment of the law except by the regular procedure which had grown up in this country. He might remind them that a Private Member's Bill to amend several sections of the bankruptcy law—a Bill which Bradford had pressed for strongly—was introduced into the House of Commons last Session, and his (the speaker's) name was on the back of the Bill. The Government took this view: that all amendments of bankruptcy law in the past had been made after a committee had been set up to take evidence, on whose report the Bill was largely drawn. Upon the undertaking of the Government to set up a committee that particular Bill was

withdrawn. A committee had now been set up and he had been asked by the Society to tender evidence, and he would do the best he could. On the report of that committee a Bill would undoubtedly be brought in, and they could take it for granted that there would be no amendment of company law except after the same well-defined procedure. And honestly he thought that it was the proper course. It was a great mistake to tinker about with Acts of Parliament by minor amendments from time to time. What they wanted to do was to find by experience how the Act had worked and what were the weak spots, and while they were at it take evidence over the whole field, so that the amended Act might be a wise piece of general legislation rather than an attempt to stop at one or two points; and if they could get a Consolidation Act at the same time, and so avoid legislation by reference, so much the better. He agreed entirely with what he conceived to be Mr. Morgan's argument in the paper, that whatever the limiting decisions of the Courts might be in regard to their responsibilities as auditors, the great thing was, if they were to justify their existence, not how they could limit their responsibilities, but how they could best serve the community by accepting the greatest moral responsibility for the work they did. (Applause.)

Mr. R. W. BARTLETT (Newport) said he agreed as to the desirability of the auditor attending the board meeting at which the accounts were submitted and discussing points in detail with the board. He thought they should not wait for the Companies Acts to be amended so that it should be compulsory. They should at once make it a rule and carry it out in their own practice. Personally, he had done it for many years. He differed from Mr. Morgan on the question of stocks. Mr. Morgan said the general principle in regard to the valuation of stock was that it should be calculated at cost price or present market value, whichever was the lower. He thought that principle had disappeared some years ago. He had been consistently fighting for the principle of base stock at base price, and surely the experience of the commercial world in the last ten years was such as to justify the putting into force in every manufacturing house the principle of base stock at base price, instead of the old principle of cost or market value, whichever was the lower. He would give them an example. Let them take the motor car industry. Say that at 1918 the company had a stock of 300 cars, valued at £300 each. That would make their stock-in-trade £90,000. By the year 1921 the price had risen, through various causes, but the company still had the same number of cars, namely 300, which at that time it was costing them £500 to turn out. They were continually selling and continually making, but in his opinion they were simply replacing the old stock which they had in 1918. If they brought in the stock in 1921, as many companies unfortunately did, at, say, £500, then the stock-in-trade would be valued at £150,000, instead of £90,000 as in 1918. If they took the market price or cost price they would show a paper profit of some £60,000. Now let them take the reverse case—these were things that had actually happened in several industries in this country during the last few years. By the year 1924 the same company had still 300 cars in stock, but the price was back at the original value of £300, or possibly lower. Bringing the stock in again at £90,000, you showed a paper loss of £60,000. He should be glad to have Mr. Morgan's remarks on the point.

Mr. PERCY H. WALKER (Cardiff) urged that if work in progress was comparable to stock, as Mr. Morgan contended, it should be brought in absolutely at cost, and no portion of profit or loss should be taken into account.

Mr. F. WOOLLEY (Southampton) said that Mr. Morgan's paper offered little scope for criticism, but ample scope for appreciation. He wanted to make a suggestion or two, but not in the nature of criticism. With regard to the verification of securities under the heading of registered stocks or shares, it was, of course, well known that occasionally duplicate certificates were issued under letters of indemnity given in respect of such certificates. It sometimes happened that the new certificates were marked "duplicate," but it was not invariably so. It would be a very good thing if such certificates were marked with an indication of the fact that they were issued in respect of a letter of indemnity which had been

lodged. It occurred to him that in the verification of securities of that class it would be very useful to take particular note of the date the certificate bore, because if the certificate was issued at a date considerably later than the date upon which the security was purchased, that obviously opened up a question for inquiry. There was always the possibility of a security having been disposed of and the proceeds diverted into an improper channel, a duplicate certificate having been obtained in the meantime as a result of a letter of indemnity. It was one of the pitfalls which an auditor needed to be aware of. He thought it should be emphasised in considering this question of verification of assets, that after all the auditor was not a valuer. The words of Mr. Justice Romer, that an auditor "must take care that he does not bring into his balance-sheet at face value a debt that is not a good one," rather suggested that the auditor was to constitute himself a valuer. If the auditor had reason to believe that anything was brought into the balance-sheet in excess of its value it became his duty to deal with it; but it could not be suggested that the auditor could always have the means of forming at the time a thoroughly reliable opinion as to the value of certain assets. He could only exercise reasonable care in these matters. To place on the auditor responsibility for in any sense valuing assets was carrying his duties not only beyond his proper functions but beyond what he was capable of doing. It was, of course, necessary in the case of directors' borrowing to state the fact clearly on the face of the balance-sheet, the name of the director being given. A similar rule in regard to managers would be very desirable; shareholders certainly ought to know if the managers of their companies had become debtors to the company. With regard to the bankers' paying in book, it would be an excellent thing if details of the cheques paid in were preserved on the paying in book. Frequently what an auditor found was that the details were not preserved on the duplicate of the paying in slip, with the consequence that cheques which had been paid in in a given deposit at the bank could not be identified with the cash book. They all knew that when irregularities in the cash book arose, they arose through manipulation of details of these items.

Mr. H. J. BURGESS (London) thought that with regard to loans to subsidiary companies, or to concerns in which the company had a large interest, they should be shown separately and not covered up in the ordinary general loans of the company. Referring to Mr. Morgan's remarks on properties, he said he supposed under that heading would be included payments to contractors for building work which had not been completed at the date of the balance-sheet. There he thought they should be very careful to satisfy themselves that those payments which had been made had been really earned. They should not only take the contractor's receipt for the money, but see that architects' certificates had been given before such work had been paid for. It should be a *sine qua non* that the auditor should have a copy of the stock-taking instructions, and should see that they were comprehensive and sound. Mr. Morgan had made a point that stock might be stored with warehousemen on behalf of the company. Conversely, it should not be forgotten, stocks which were in the warehouses of clients might be included in the company's stocks, thereby inflating the company's values when they did not really belong to the company.

Mr. MORGAN, replying on the discussion, thanked the speakers for the generous terms they had used in referring to his paper, and said that where the remarks had been critical he was not less appreciative. He wished to emphasise in his paper that an auditor should not bind himself down to any hard and fast method of procedure. It must vary in different classes of audits, and vary even in different businesses in the same trade, and it would vary from year to year. An auditor whose procedure became mechanical was not, in his opinion, by any means the most efficient auditor. The mark of the skilled auditor was his ability to apply the various methods in the right cases and at the right times. Mr. Haley mentioned goodwill. Most of them knew the case to which he referred. That decision must be regarded as the legal point of view, but what was prudent might, and frequently did, differ very materially from the view of the Courts. He thought that profits having once been appropriated towards writing down a paper asset like goodwill, should not be brought back to the credit of profit and loss account and

distributed in dividend. With regard to Mr. Lawson's comment on loss on contracts in progress, this was a question which he had to discuss recently in the capacity of a director, and Sir John Mann, whose firm were the auditors, spent a long time considering the point with the directors, and it was eventually agreed that it was not unsound to apportion loss in the same way as profits. Mr. Horsfield had touched on preliminary expenses. These in law were capital expenditure. There was no legal obligation on companies to write off "preliminary expenses," but there they had an instance where practice differed from the legal view. He thought the proper way to regard the writing off of preliminary expenses was to treat it as an appropriation of profit, and his practice was usually to appropriate a part of the profit to writing down this item instead of writing it off to profit and loss account. Colonel Grimwood had allowed his feelings of friendship for himself to influence him in using somewhat extravagant terms about his paper. There were really three standards which the auditor should always have in mind in his work. First of all, there was the ideal standard, which, like all ideals, was rarely realised in actual life, and it was very seldom that they carried out their work on ideal lines. They had to remember that an audit was part of the procedure in modern business which was carried on by hard headed, practical men, and there was little room for sentiment and idealism. What they must have regard to was what was necessary, reasonable and practicable, and, of course, that was largely governed by practice. There was a third standard, the legal standard, and it was very important that the auditor should know what that legal standard was, because in the event of his work falling below it he incurred legal responsibility. The first standard was that which the interests of their profession and their Society necessitated the auditor should always aim at and strive for; the second standard was that which the interests of the business community and the investing public required that he should always observe; the third was that which the auditor's own interests demanded that he must in all circumstances and in every case conform to. Mr. Blandford had suggested the desirability of incorporating in the certificate the wording in building societies certificates respecting personal inspection of securities. They must bear in mind that in the case of building societies all their title deeds and securities were home securities, and it was practicable for the auditor to inspect them, but in the case of very many public companies having properties and investments in foreign companies and foreign government stocks, it was not always practicable for the auditor to inspect them, and in these cases he thought such a provision would operate most inconveniently in connection with the audit of companies' accounts. In replying to Mr. Bartlett, Mr. Morgan cleared up what he described as "the mystery of my birth." He said that although his family had resided in Bradford for a good many years, he was a Welshman by birth, and had lived the greater part of his life in Wales. Mr. Bartlett had mentioned the question of "base stocks." Theoretically he thought this method could be soundly applied in the case of very many businesses, but it was the general practice in this country to value stocks at cost or market value, whichever was the lower. (Hear, hear.) There must be cases where departure from this practice was sound, but that undoubtedly was the general practice. Mr. Woolley and Mr. Burgess had suggested alternative and additional methods of check and verification which in certain cases could be applied with advantage. (Applause.)

Mr. W. CLARIDGE moved a very hearty vote of thanks to Mr. Morgan for his splendid paper.

Mr. REYNOLDS seconded the motion, which was carried with acclamation.

The PRESIDENT moved a vote of thanks to the Lord Mayor and Corporation for the use of the Council Chamber, to the Lord Mayor and Lady Mayoress for receiving and hospitably entertaining the members of the Society, and to Mr. William Claridge (President) and the officers and members of the Bradford District Society for the excellent arrangements made for entertaining the Conference.

Mr. KEENS seconded the proposition, which was carried with acclamation.



### LUNCHEON AT BRADFORD.

The members of the Conference and their ladies were afterwards entertained to luncheon by the Bradford and District Society at the Midland Hotel. Mr. W. Claridge, President of the Bradford Society, was in the chair. The guests included the Lord Mayor and Lady Mayoress (Alderman and Mrs. H. M. Trotter).

Mr. THOMAS KEENS, M.P., proposing the toast of "The Lord Mayor of Bradford," thanked his Lordship for his generous welcome that morning, and of his promise that if any of them went over the line and got into trouble they would be alright. (Laughter.) That promise was quite in keeping with Yorkshire hospitality, though it went somewhat beyond what they were reasonably entitled to expect. (Laughter.) "I can assure his Lordship," said Mr. Keens, "from my personal knowledge of the gentlemen around this board, that he could make such a promise with perfect safety, because they never, under any circumstances whatever, step over the line—(laughter)—and are not likely, therefore, to require his clemency." They were all delighted to know that the Lord Mayor had made a complete recovery from his recent illness and was again taking his place in the city's activities. The Lord Mayor's career, from what they had heard and read of it, was like one of those old stories of Samuel Smiles, exemplifying the advantages of integrity, and as these things seemed to be somewhat discounted nowadays, they were only too glad to see an instance in real life. (Applause.) Mr. Keens recalled a story that used to be told by the late Sir Swire Smith. Visiting an American township Sir Swire was asked by the gentleman who held the office of Mayor. "Say, friend, you have been mayor of an English town—do you mind telling me on the quiet what you made out of it?" (Laughter.) Sir Swire replied, "It cost me about £3,000 a year." The American looked at him, and Sir Swire said "I have never yet made up my mind whether he took me for an egregious fool or for a liar." (Laughter.) Well, in the case of the Lord Mayor it was not a question of what he had made out of it, except in the way of the regard of his fellow townspeople. (Applause.)

The LORD MAYOR, who was very cordially received, said he could not tell them how he felt exactly, but he had always felt a great deal more pleasure in throwing bouquets than in receiving them. (Laughter.) Bradford had had a good many delegations representing overseas commerce during the year, and he had made it his aim to send the visitors away with a good impression of the city, and a better impression, if possible, of the citizens. (Applause.) Bradford had had its ups and downs. During the trade depression houses which had been built up during three generations had fallen like a pack of cards, but the trade of the city still went on, and he was delighted to learn from his commercial friends that there was a brighter outlook. He hoped that the members of the Society would carry away a good impression of the city, and he regretted that they had so short a time to stay in Bradford. The Lord Mayor recalled the visit of the British Medical Association. "We did give them a time of it," he said. (Laughter.) "I have a pile of letters from people all over the world, saying how much they enjoyed themselves, and only to-day I received a letter from a lady in Philadelphia inviting me there for three months." (Laughter.)

Mr. C. HEWITSON NELSON (Past President), who was very cordially received, proposed the toast of "The Bradford District Society of Incorporated Accountants," and said that he also had assisted in receiving an American delegation, and he had had an invitation to go to Utah. (Laughter.) Alluding to the old rivalry between Bradford and Leeds, the speaker said that Bradford men always stood up for Bradford, and the really important question to them was. When shall Bradford absorb Leeds? (Laughter.) Well, if Bradford started on that business, with so acute a treasurer as Mr. Ogden Whiteley, there would be a big combination of some sort before it was over. (Laughter.) Those of them who were members of the Council of the Society, and who met in London to watch the progress and to assist the progress of the Society, knew that the measure of their success was ultimately the measure of the success of the local Societies. Unless they had virile local Societies, full of energy, full of forethought, the central organisation in London could not achieve the object which it had in view. In Bradford they had all that could be

desired in a local Society. He found that the membership of the Bradford Society was about equally divided—about 58 or 59 were Fellows and Associates, and the same number were potential fellows and associates. That was an excellent division, and it bore testimony to the work which had been done in Bradford in the interests of the accountants of the future. That work had been achieved very largely owing to the loyalty and the persistence of the President, who had occupied that important position for no less a period than fourteen years, and also to the Hon. Secretary, who, he believed, had occupied the position for twelve years. Bradford had associated the accountancy profession with the Chamber of Commerce, and that was a very good move for the Society to make. Those of them who were associated with chambers of commerce throughout the country knew the value of their work, and knew also that the Society had a contribution to make to the work if only they would give the necessary time for the purpose. He had to associate with the toast, in addition to that of Mr. Claridge, the name of the City Treasurer, Mr. F. Ogden Whiteley. He knew something about city treasurers, and he did know something about the other people who were important in municipal life; but he vacated his aldermanic seat last November at the invitation of a combination of unscrupulous persons belonging to other parties. (Laughter.) Having for seven years occupied the chair of finance, he could, however, tell them candidly—and Sir Charles Wilson would back him—that the really important man in the whole of the municipal machinery was the borough treasurer or city treasurer. "If you have a good man there to look after the finances," said Mr. Nelson, "your city is going to be a success." (Hear, hear.) "When the American delegation to which I have referred was over here, I introduced my treasurer to an American. I said, 'This is Mr. So-and-So, and we are very proud of him. He has been treasurer here for 33 years,' and the American said, 'I guess most of our chaps in that line across the water are in a position to retire at the end of ten years!'" (Laughter.)

The PRESIDENT (Mr. W. Claridge), in responding, said that the Bradford Society was somewhat unique in its constitution he believed, because it admitted students to its committee as well as Associates and Fellows, and they found it was a very good thing. There had been times when the students had done the great bulk of the work. They had an ideal secretary in Mr. Reynolds. Just as the Parent Society could not get on without Mr. Garrett, so the Bradford Society could not get on without Mr. Reynolds, who had done exceedingly good work and been a great acquisition. The Leeds Society, he might mention, included all Yorkshire except Bradford and district. (Laughter.) Leeds had not absorbed Bradford; possibly in the future Bradford might try to absorb Leeds. (Laughter.) The area of the Bradford Society was therefore much smaller than that of Leeds. Sir Charles Wilson tells me that when they first formed their Yorkshire District Society in Leeds they asked me to come down and give the first lecture—so I am part founder of that Society. Sir Charles said he tried his very best to get members to come and hear poor me, and after drumming up all they could they got a magnificent audience of twelve, and that was the foundation of the Yorkshire District Society. Very soon after that we formed our Bradford Society, and it has been exceedingly successful. We cannot come up to the Leeds numbers, of course, but our lectures have been very much appreciated. The Bradford Society had helped the students very thoroughly, and they always had a long list of successes. In the last report, which covered more than a year, they had nineteen Final successes and twenty Intermediate. That was very good for a small Society. (Applause.) He was quite sure of this: that when the time came for him to drop out of the management of the Society there would be such a large number of fully qualified men capable of representing Bradford on the Council that it would be an exceedingly difficult job to pick the man out. (Applause.)

Mr. F. OGDEN WHITELEY, who also responded, agreed with Mr. Nelson that the success of the Parent Society hung very largely on the success and enthusiasm of the District Societies. He had looked up the Society's Year Book of 25 years ago, and found that at that time there were seventeen Fellows and Associates of the Society in Bradford. To-day there were something like 80. (Applause.) They should pay honour where honour was due, and a great deal



was due to their President, Mr. Claridge—(hear, hear)—and they owed also a debt of gratitude to the President, Mr. Pitt, and other Presidents and members of the Council who had come down and given them the stimulus of their presence from time to time. A very great debt of gratitude was owing to their Secretary, Mr. Reynolds, who was quiet and unassuming, who did not put all his goods in the window, but was always there when needed. He stimulated the work of the Society very considerably, and had played a very great part in the organisation work involved by the Conference. Bradford could not show the members of the Conference a Temple Newsam, like Leeds, but it had its Bolling Hall and other treasures, and it was very proud of the Cartwright Hall, which the delegates would see that afternoon. The Cartwright Hall was opened in 1904, costing something like £68,000, of which £47,500 was given by the late Lord Masham, who himself first originated the idea of a memorial hall of that kind. At a luncheon in 1898 Lord Masham pointed out how great an association there was between Bradford and its textile industry and Dr. Cartwright, the inventor of the power loom, and he said: "If you choose to put up a memorial to Dr. Cartwright I am willing to put my hand in my pocket for it." Bradford accepted the invitation. Dr. Cartwright, whom the hall commemorated, was born in 1783, and was the son of a clergyman. He himself entered the church. He spent between £30,000 and £40,000 in prosecuting and developing his mechanical inventions, and Parliament awarded him a grant of £10,000 for his services. (Applause.)

#### DINNER AT LEEDS TOWN HALL.

The PRESIDENT (Mr. George Stanhope Pitt, F.S.A.A.) took the chair at the dinner of the Society, held on Thursday evening, October 2nd, in the Town Hall of Leeds, by kind permission of the Lord Mayor and City Corporation. Numbering about 400 in all, the representative and distinguished company included, in addition to the President and Mrs. G. S. Pitt, the Lord Mayor and Lady Mayoress of Leeds (Sir Edwin and Lady Airey); the Lord Mayor and Lady Mayoress of Bradford (Alderman and Mrs. H. M. Trotter); Sir Charles Wilson, M.P. (Past President), and Lady Wilson; Mr. Thomas Keens, M.P., and Mrs. Keens; Sir Henry Whitehead and Lady Whitehead; Mr. J. Basil Hall (President of the British Medical Association) and Mrs. Hall; the Pro-Chancellor of the University of Leeds and Mrs. Arnold; Sir James Martin (Past President) and Lady Martin; Mr. David Little and Mrs. Little; His Honour Judge Drysdale Woodcock, K.C.; Mr. James Bruce (President of the Leeds Chamber of Commerce) and Mrs. Bruce; Mr. William Claridge (Past President) and Mrs. Claridge; Sir Basil Mayhew; Mr. W. Bateson (Blackpool); Mr. E. W. E. Blandford (London); Mr. D. E. Campbell (Wolverhampton); Mr. A. Collins (London); Mr. J. M. Fells, C.B.E. (London); Lieut.-Colonel J. Grimwood, C.B., D.S.O., O.B.E. (London); Mr. H. Morgan (London) and Mrs. Morgan; Mr. C. Hewetson Nelson (Liverpool) (Past President) and Mrs. Nelson; Mr. James Paterson (Greenock); Mr. A. E. Piggott (Manchester), Mrs. Piggott and Miss Piggott; Mr. Richard Smith (Newcastle-on-Tyne); Mr. A. Standing (Liverpool) and Mrs. Standing; Mr. P. Toothill (Sheffield); Mr. F. Walmsley (Manchester) (Past President); Mr. W. T. Walton (West Hartlepool); Mr. F. Ogden Whiteley (Bradford) and Mrs. Whiteley; Mr. E. W. C. Whittaker (Southampton); Mr. W. McIntosh Whyte (London); Mr. A. E. Woodington (London) (Past President) and Mrs. Woodington; Mr. N. L. Fleming and Mrs. Fleming; Mr. Fred Kitson and Mrs. Kitson; Mr. S. J. McGibbon (West Australia); Mr. J. Hartley Blackburn, F.C.A.; Mr. Alderman C. Lupton; Mr. Fredk. Holliday and Mrs. Holliday; Mr. T. F. Braime and Mrs. Braime; Mr. T. W. Dresser (Leeds); Mr. H. Bray (Leeds); Mr. Wm. Eaves (Manchester); Mrs. Eaves; Mr. J. P. Griffiths (Cardiff); Mrs. Griffiths; Mr. J. C. Loughridge (Dublin); Mrs. Loughridge; Mr. F. A. Fitton (Manchester); Mr. R. Leyshon (Cardiff); Mr. B. Wilson Bartlett (Newport, Mon.); Mr. C. A. Sales, LL.B. (London) (London); Mr. Thomas Mills (Swansea); Mr. G. B. Bowen (Swansea); Mr. P. H. Walker (Cardiff); Mr. W. J. Bennett (Llandaff); Mr. R. Heatley (Manchester); Mr. B. R. Crawford (Belfast); Mr. J. Telfer (Newcastle-on-Tyne); Mr. H. Edwards (Swansea); Mr. F. Allen (Portadown); Mr. J. Smith (Bradford); Mr. T. Hayward (Bradford); Mr. M. H. Groves (West Hartlepool);

Mrs. Groves; Mrs. Lund (West Hartlepool); Mr. C. H. Wells (Sheffield); Mrs. Wells; Mr. W. D. Hall (Glasgow); Mrs. Hall; Mr. J. Davison (Newport, Mon.); Mrs. Davison; Mr. R. Bell (Belfast); Mrs. Bell; Mr. C. H. Goldthorpe (Leeds); Miss L. Watkinson (Leeds); Mr. A. Walton (Leeds); Mr. S. M. Rix (Bradford); Mrs. Rix; Mr. T. A. Spittle (Bradford); Mrs. Spittle; Mr. G. R. Lawson (Bradford); Mrs. Lawson; Mrs. Hewitt (Southampton); Mr. F. Woolley (Southampton); Mrs. Woolley; Mr. R. Mason; Mr. W. G. Miles (Swansea); Mr. N. Booth (Belfast); Mrs. Booth; Mr. D. Austin (Leeds); Mrs. Austin; Mr. B. R. Sinkinson (Bradford); Mrs. Sinkinson; Mr. R. F. Woodroffe (Bradford); Mrs. R. F. Woodroffe; Dr. E. B. Woodroffe (Bradford); Mrs. E. B. Woodroffe; Mr. E. S. Hare (Bristol); Mrs. Hare; Mr. I. P. G. Ray (Bristol); *Yorkshire Post* (Leeds); *Yorkshire Observer* (Leeds); *Leeds Mercury* (Leeds); *Bradford Daily Telegraph* (Bradford); Mr. R. R. Whittaker (*Evening Post*) (Leeds); *Yorkshire Evening News* (Leeds); "Kester"; *Yorkshire Evening Argus*; *The Times* (London); *Morning Post* (London); *Daily Telegraph* (London); *Press Association* (London); *The Accountant* (London); *The Incorporated Accountants' Journal*; Mr. C. A. Belbin (Sheffield); Mr. G. Astle (Leeds); Mr. A. E. Ranshaw (Leeds); Mr. R. R. France (Leeds); Mr. E. Booth (Leeds); Mr. R. D. France (Leeds); Captain A. N. Evers (Catterick); Mr. R. Gair (Newcastle-on-Tyne); Mrs. Gair; Mr. H. W. McGregor (Johnstone); Mrs. McGregor; Miss J. H. Yarker (Leeds); Mr. J. C. Cryer (Leeds); Miss G. Craig (Leeds); Mr. W. S. Pullan (Leeds); Mr. C. E. Claridge (Bradford); Miss H. M. Claridge (Bradford); Mr. N. D. Vine (Leeds); Mr. E. B. Shaw (Huddersfield); Mr. F. Harrison (Leeds); Mr. A. E. Stringer (Otley); Mr. C. R. Whitnall (Liverpool); Mr. H. J. Allen (Sheffield); Mr. R. Y. Lowe (Halifax); Mr. H. Jaques (Bradford); Mr. L. Storey (London); Mr. G. R. Pridie (London); Mr. R. T. Dunlop (Glasgow); Mrs. Dunlop; Miss A. Forsyth (Glasgow); Mr. G. Malthouse (Leeds); Mrs. Malthouse; Mr. H. Reynolds (Bradford); Mrs. Reynolds; Mr. T. Sowden (Bradford); Mrs. Sowden; Mr. J. S. Smith (Bradford); Mrs. Smith; Mr. W. T. Butterfield (Bradford); Mrs. Butterfield; Mr. H. Richardson (Bradford); Miss M. E. Roberts (Bradford); Mr. G. L. Potter (Bradford); Mrs. Potter; Mr. F. W. Dain (Bradford); Mrs. Dain; Mr. Fred Pickering, M.B.E. (Bradford); Mr. C. Pickles (Bradford); Mrs. Pickles; Miss M. Longbottom (Bradford); Mr. W. A. Sugden (Bradford); Mr. Norman Williamson (Bradford); Mrs. Williamson; Mr. J. W. Reynolds (Bradford); Mrs. Reynolds; Mr. W. Durrance (Bradford); Mrs. Durrance; Mr. H. G. Payton (Bradford); Mrs. Payton; Mr. R. S. Dower (Ilkley); Mrs. Dower; Rev. S. Rowley (Bradford); Mrs. Rowley; Mr. R. V. Rushworth (Bradford); Mrs. Rushworth; Mr. H. A. Johns (Bradford); Mrs. Johns; Mr. J. Mason (Bradford); Mrs. Mason; Mr. Edward Smith (Bradford); Mrs. Smith; Mr. Haley Busfield (Bradford); Mrs. W. Busfield (Bradford); Mr. Charles Ogden (Bradford); Mrs. Ogden; Mr. R. A. Smithson (Leeds); Mrs. Smithson; Mr. Horace Marshall (Leeds); Mrs. Marshall; Mr. H. B. Frank (Leeds); Mrs. Frank; Mr. James Graham (Leeds); Mrs. Graham; Mr. T. H. Goldsack (Leeds); Mrs. Goldsack; Mr. F. C. Macaskie (Leeds); Mrs. Macaskie; Mr. E. H. Hepper (Leeds); Mrs. Hepper; Mr. C. Bowling (Leeds); Mrs. Bowling; Mr. J. W. Hall (Leeds); Mr. W. H. Clarke (Leeds); Mrs. Clarke; Mr. W. Tate (Leeds); Mrs. Tate; Mrs. O. L. Prescott (Leeds); Miss E. Hill (Leeds); Major W. Boyle (Leeds); Mrs. Boyle; Mr. J. B. Hamilton (Leeds); Mrs. Hamilton; Mr. E. L. Andrews (Leeds); Mrs. Andrews; Mr. J. C. McDonald (Leeds); Mrs. McDonald; Mr. H. Tinker (Leeds); Mr. J. Mitchell (Leeds); Mrs. Mitchell; Mr. J. E. Charlton (Leeds); Mrs. Charlton; Mr. F. W. Tidswell (Leeds); Mrs. Tidswell; Mr. N. Hurtle (Leeds); Mrs. Hurtle; Dr. J. J. Jervis (Leeds); Mrs. Jervis; Mr. B. Morice (Bradford); Rev. Dr. Terry Thomas (Leeds); Mrs. Thomas; Mr. A. F. H. Render (Bradford); Rev. Joshua Abelson (Leeds); Mrs. Abelson; Mr. A. Neill (Leeds); Mrs. Neill; Mr. H. B. Leah (Stockport); Mrs. Leah; Mr. C. L. Townend (Halifax); Mr. W. Edwards (Bradford); Mr. L. E. Wintersgill (Leeds); Miss Holliday (Leeds); Mr. H. W. Kelly (Leeds); Mrs. Kelly; Mr. J. H. Henderson (Leeds); Mr. J. P. Brodie (Stoke-on-Trent); Mrs. Brodie; Miss Brodie; Mr. T. Hayes (Leeds); Mrs. Hayes; Mr. G. H. C. D. Higgins (Leeds); Mrs. Higgins; Mr. J. W. Blackham (Birmingham); Mr. T. Morgan (Bradford); Miss Morgan (London); Mr. A. E. Grime (Leeds); Mrs. Grime; Mr. H. C. Derwent (Bradford); Mrs. Derwent; Mr. W. J. Bees (Leeds); Mr. W. Gaunt (Leeds); Mr. F. Broadbent (Leeds); Mr. B. Holliday (Leeds); Mrs. C. S.

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Holliday (Leeds); Mr. F. C. Holliday (Leeds); Mr. E. Tetley (Leeds); Mr. W. Harrison (Leeds); Mrs. Harrison; Mr. J. H. Haley (Bradford); Miss G. Haley; Mr. G. Waite (Leeds); Miss Blackburn (Bradford); Mr. H. J. Burgess (London); Mrs. Burgess; Mr. G. A. Windsor (Leeds); Mr. A. Hannah (Liverpool); Mr. John James (London); Mr. T. L. Judd (London); Mr. E. Snowden (Harrogate); Mrs. Snowden; Mr. S. Kendall (Leeds); Mr. Roy Ellis (Leeds); Mr. H. C. Ellis (Leeds); Mr. C. Tordoff (Leeds); Mr. M. Girling (Leeds); Mr. O. Coope (Leeds); Mr. J. W. Carter (Leeds); Mrs. Carter; Mr. F. A. Webber (Bristol); Mr. R. J. Kidney (Dublin); Mr. A. E. Webster (London); Mr. H. J. E. Batchelor (Southampton); Mr. F. J. Warren (Haverfordwest); Mr. T. Hudson (Bradford); Mr. B. Mortimer (Leeds); Mr. F. Sharman (London); Mr. F. Bentley (Leeds); Mrs. Bentley; Mr. N. E. Lamb (Cardiff); Mrs. Lamb; Mr. W. H. McMinn (Leeds); Mrs. McMinn; Mr. R. Hamilton (Leeds); Mr. C. A. Goodall (Leeds); Mrs. Goodall; Mr. F. C. Crosland (Leeds); Mrs. Crosland; Mr. R. E. Starkie (Leeds); Mr. A. Greenwood (Dewsbury); Mr. O. Avison (Huddersfield); Mr. L. V. Driffeld (Huddersfield); Mr. G. L. Hirst (Dewsbury); Mr. J. S. Williams, Jun. (Leeds); Mr. W. Harrison (Bradford); Mr. G. Palmer (London); Mr. J. W. Richardson (Sheffield); Mr. W. Hustwick (Bradford); Mr. T. N. Steel (Huddersfield); Mr. G. E. S. Heybyrne (Newport, Mon.); Mr. E. Myers (Batley); Mr. J. Boyd (Belfast); Mr. G. F. Morton (Leeds); Mr. L. E. B. Austin (Leeds); Mr. H. Derwick (Leeds); Mr. W. E. Storr (Leeds); Mr. J. R. Moger (Leeds); Mr. A. France (Leeds); Mrs. France; Miss Derry (London); Mr. G. S. Pitt, Jun. (London); Mr. R. P. Roche (London); Mrs. Roche; and Mr. A. A. Garrett, B.Sc., Secretary.

### "The King."

was submitted from the chair, and the toast was loyally and enthusiastically honoured.

### "The Lord Mayor and the Corporation of the City of Leeds."

Mr. THOMAS KEENS, M.P., F.S.A.A., Vice-President of the Society, then proposed the toast of "The Lord Mayor and the Corporation of the City of Leeds." He said that the fact that a function of that character could not be imagined without a toast of that description did not lessen his sense of personal responsibility. Speaking in that historic hall, one could easily imagine that the toast had been submitted for the acceptance of the assembled audience by orators of national and international fame, but he was sure of this: that it had never been submitted with greater sincerity than it was that night by himself on behalf of the Incorporated Accountants of this country assembled in Leeds for their Autumnal Conference. (Applause.) They had been welcomed with the traditional hospitality which they had always learnt to expect from that city and from that county. If it was true, as Euripides said many years ago, that the first requisite of happiness was to be born in a famous city, then some of them would undoubtedly escape their full measure of happiness—(laughter)—but at any rate the measure of those who were born in that great city ought to be satisfied to the full. (Applause.) Leeds had shown phenomenal growth, and it was satisfactory to think that that growth had been occasioned by the growth of commerce, and satisfactory also to think that it had been accentuated by the fact that there could be no satisfactory growth of commerce without industry and integrity, qualities which they felt sure Leeds had to the full. (Applause.) Leeds filled a large position in their Society in many ways. (Laughter.) They were not likely to forget her. (Laughter.) Her representative on the Council was a very great personality, endowed with a good deal of that quality which had been described as perseverance in a good cause, and obstinacy in a bad one. (Laughter.) He (the speaker) had some experience of those qualities in the lobbies of the House of Commons. Sir Charles Wilson and he had sometimes been in different lobbies, but wild horses would not draw it from him that he, personally had been in the wrong one. (Laughter.) Coming, however, to the real subject of the toast, he thought that Leeds was very fortunate in the personality of its Lord Mayor. It was satisfactory to know that the citizens fully confirmed the honour which His Majesty had conferred upon the Lord Mayor. The King had conferred on him, and the citizens in their turn had conferred on him, the highest

honour in their power. Local government was a matter of the greatest importance. Lord Rosebery had said that service rendered in local government was more important than service rendered in Parliament. Be that as it might be, 25 years experience of local government had convinced him of the value of the service rendered, not in the glare of the limelight, not necessarily in the council chamber, but in the humble duties of the committee room. It was there that the citizen rendered the greatest service to his city or county. Of the city of Leeds he had just this to say: He did not propose to attempt anything in the way of a catalogue or statistical abstract, but he did know that from the cradle to the grave it looked after its citizens. (Laughter.) It began this in the infant welfare centres and ended it in the cemetery. Meanwhile, it provided them with a wonderful educational system, culminating in the University, and in their leisure hours it provided them with libraries and open spaces, of which he had had evidence that day during a personal inspection of Temple Newsam. (Applause.) He congratulated the city not only on that acquisition, but also on the wonderful municipal golf course which it had there, and he only wished he had had more time to know more of those links and of the keen air one could enjoy there. Nevertheless, he did not suppose that, with all those services which were rendered to that great city, everybody was satisfied. That did not happen in any city, and never would. Well, there was one thing which always appealed to him, because he was the chairman of the finance committee of a county council, and that was the rates, and that was why he did not intend to mention them. (Laughter.) He would not mention them, that was to say, because there were sure to be people in Leeds who thought that the rates were too high, and far be it from him to either confirm or deny. (Laughter.) He had the greatest possible pleasure in giving them the toast of the Lord Mayor and Corporation and coupling with it the name of Sir Edwin Airey. (Applause.)

The LORD MAYOR OF LEEDS (Sir Edwin Airey) said he felt it a very great honour indeed to reply to the toast of "The Lord Mayor and Corporation." Mr. Keens had said that a man who was born in a great city should have great happiness. Well, he was pleased to say straight away that he was born in Leeds and he had very great happiness indeed. (Applause.) The work of a Lord Mayor, particularly when he took on the responsibility of clearing off his desk—(laughter)—was pretty heavy, but if one's heart was in the right place work never killed one; in fact it tended to improve. He was very proud to be the chief citizen of his native city. Leeds was situated in the centre of a large and busy population, and he should like to remind the visitors that they were situated midway between London and Edinburgh, and at times they felt that they were between the devil and the deep sea, though up to now they had managed to escape both. (Laughter.) Largely, he believed, that was due to the watchfulness and care of their accountant friend, Sir Charles Wilson. The profession of accountancy was one of the youngest, but what passed his comprehension was how they ever managed to get on without accountants before. Whether trade was good or bad accountants were in demand. In prosperous times they left the business man to look after the machinery of production, whereas in less prosperous times they were always optimists, and they produced the balance-sheets of the good years to remind them that trade went in cycles and that the best was yet to be. (Laughter.) The profession was one that demanded infinite trust and integrity. It had been said that a good accountant was worth his weight in gold, and perhaps that was why they sincerely valued their esteemed friend Sir Charles Wilson. (Laughter and applause.) In thanking them in the name of Leeds for the toast, he trusted that their Conference would prove a success and that they would carry away the pleasantest recollections of their stay in the city and the good thoughts of the citizens, who had been only too happy to welcome them. (Applause.)

### "The Houses of Parliament."

SIR JAMES MARTIN, J.P., F.S.A.A., Past President of the Society, submitted the toast of "The Houses of Parliament." He said that at the Conference at Cardiff last year he was rash enough to say that he must have been chosen for that toast because he had been a lobbyist in the House over a long number of years and might know the merits and defects of



both Houses. He supposed that that argument was regarded as so satisfactory that his name was put down for the same duty that evening. When he first frequented the House in 1886 Mr. Gladstone and Lord Salisbury were Prime Ministers, and the Irish question was uppermost in all their minds. In 1924 Mr. Ramsay MacDonald was Prime Minister, but still the Irish question held the field. (Laughter.) When he looked round their Conference that morning, and when he saw present delegates from different parts of Ireland, and when he recognised that they were members of a Branch of their Society which it had always been an honour and a pleasure to work with, it occurred to him that the best thing they could do would be to request Sir Charles Wilson and Mr. Keens to get Mr. MacDonald to refer the Irish question to Incorporated Accountants for settlement. (Laughter.) Perhaps he had one other qualification for proposing that toast. For several years he had annually to address the Chancellor of the Exchequer for the time being on behalf of the Chambers of Commerce preparatory to his introducing his Budget, and in that capacity he had addressed six Chancellors of the Exchequer. But none of them seemed to think much of his arguments, so it seemed, when he came to look at their Finance Bills and the little result which there had been from his efforts. (Laughter.) There were some people who decried the present House of Commons, but he did not hold with them at all. (Hear, hear.) The nation got the Parliament and the Government which it deserved. He was told before he came to Leeds that he should have one of His Majesty's Ministers to reply to that toast, and the name of that Minister was given to him. He should have been curious to see how the Minister would get on with that great body of accountants before him, because on one occasion, he remembered, he described them as the "hangers-on of the capitalists." (Laughter.) He was glad to think that they had two Incorporated Accountants in Parliament, both well tried and true men, sitting on opposite sides of the House. He had had a great deal of experience of both of them, and while it would not be true to say that they represented the profession in Parliament because they represented their constituencies, he was perfectly free to say that they could not be associated with two Members of Parliament who deserved their confidence more than Sir Charles Wilson and Mr. Keens. (Applause.) What could he say of Sir Charles Wilson? In Leeds, for Leeds, verily and indeed he was Leeds! (Laughter and applause.) No eulogy of his was needed. One of Sir Charles's greatest achievements was to get round the Labour Chancellor of the Exchequer and to persuade Mr. Snowden that black beer was not beer. (Loud laughter.) Londoners might tell him that some beer was better than other beer, but there was not any beer that was not beer. (Laughter.) Sir Charles Wilson, he was quite certain, would get everything he possibly could for Yorkshire, and stick to it—(laughter)—but so long as his acquisitions for Leeds were of the standard of Temple Newsam he was doing work which was valuable, not only to that city, but to the country at large. (Applause.) In giving the toast of "The Houses of Parliament," coupled with the name of Sir Charles Wilson, he wished him more and more power. (Applause.)

SIR CHARLES H. WILSON, M.P., LL.D., F.S.A.A., Past President of the Society, responding, said that not for the first time he found himself in a dilemma, for in addressing his remarks to the general company, he had to turn his back to the Lord Mayor and Lady Mayoress of that city, a thing he was exceedingly loathe to do. (Laughter.) The limits of the top table would not accommodate his ample proportions. He was the heaviest man in the House of Commons. When he was drilling recruits during the war, he used to say, "Weight, my boys, is what tells in a bayonet charge," and he dare say it told in other things as well. (Laughter.) He had listened to the remarks of their colleague Mr. Keens, and there was one point with which he could not agree. He could not put the municipal authority before Parliament. Imperial Parliament, the Mother of Parliaments, with all its curious little ways, occupied the first place undoubtedly. He would rather prefer to put it in this way: he would liken it to the architect, and the municipal authorities to the builders who carried out the architect's designs. (Applause.) There were people who tried to be little Parliament, but he did not think they would ever succeed, and he had been greatly impressed with what had happened since the Wembley Exhibition was opened. Whereas

previously the visitors to the House of Commons and the House of Lords numbered 27,000, already this year the number had risen to 144,000. That, he contended, was a very fine achievement, an interesting and a very useful achievement. (Hear, hear.) Some people in this country could never understand why Jerusalem loomed so largely in the minds of the Jewish people, but if one said that it was the seat of David they would understand it then, for there was the seat of government. It was the same with London. London was the seat of government, and there was only one London, and he believed that all of them in the provinces were immensely proud of the capital of the great Empire. (Applause.) Several privileges were attached to membership of Parliament. For instance, one was entitled to march along the miles and miles of corridors, and when they remembered that they would realise that there was some hope of his resuming his slim proportions even yet. (Laughter.) Then one was entitled to take ladies into the Ladies' Gallery and gentlemen into the Strangers' Gallery, and take them over the House. He never cared whether they came singly or in battalions. It was not unusual for him to have 50 ladies to tea on the terrace. (Loud laughter.) Yes, he knew that would make some of them jealous, and that was exactly what it did in the House. Still, he was glad when they came from Leeds, and he liked them to take an interest in the Mother of Parliaments. It did not do for the people to get out of touch with the machinery of government in a great nation like theirs. It was a very great ordeal to make a maiden speech in the House of Commons. If anyone imagined it was an easy thing they would have a different experience from his. He went in one day and made several attempts to address the House. First one member got up, and then another, but he made up his mind that he was going to speak anyway, even if he had to wait all the night. Then a friend found what he wanted, went up to the Speaker, and said the member for Central Leeds wanted to get his maiden speech off his chest. (Laughter.) Soon after that he heard the Speaker call upon him in that loud voice of his. Everybody else sat down, and up he jumped with both his knees knocking together. (Loud laughter.) They could take it from him that there was money in telling the truth, and what he was saying was the absolute fact. (Renewed laughter.) He was told that he had filled fourteen columns of Hansard in the present short session. (Laughter.) That was nothing to what he was proposing to do. (Laughter.) What he did want to say was that the House was very tolerant to any member who knew what he was talking about and was sincere, but it would not tolerate fools gladly, and he hoped it never would. Sooner or later he hoped that the number of bodies of accountants would be reduced to a minimum, and that Parliament, when it did come to deal with the question of their registration, would do its best. (Hear, hear.) He personally was exceedingly proud to represent the premier division of that city in the Mother of Parliaments. (Applause.)

#### "The Society of Incorporated Accountants and Auditors."

The PRO-CHANCELLOR OF THE UNIVERSITY OF LEEDS (Mr. E. G. Arnold) then proposed the toast of "The Society of Incorporated Accountants and Auditors." He said one of the noticeable characteristics of the middle and later Victorian period was the formation of associations of all kinds, professional, commercial and labour, and as that Society commenced in 1885 its incorporation belonged to that period, and thus it was not exempt from the influence of the time. Its numbers, he saw, were now over 4,000 members, a goodly company and one of which they might be proud. As an outsider it was interesting to one to notice that they had lady members, and thus the Society had been influenced by one of the main currents of to-day, just as it had been 40 years ago. The growth of the profession was little short of astounding. One of the reasons for this, perhaps, was the working of the Companies Acts, and particularly so in regard to the enormous number of businesses which had been turned into limited companies during recent years, and in which the necessity of a professional auditor became imperative. Latterly too, additional impetus had been given to the profession by the need of expert advisers to deal with taxation, death duties, and the like, and in consequence of this the trained accountant had come into a position similar to that of the family doctor and



solicitor and, as it was good and right it should be so, equally trusted and respected. To-day, therefore, the accountant had enormous responsibilities, responsibilities loyally and honourably carried out, and without him the course of commercial affairs would be impossible. It would be impossible for one reason alone, and that was that the accountant's certificate as to profit and loss was one of the bases, if not the principle basis, of credit at present. Then the accountant acted as a financial ambassador between the taxpayer and the tax gatherer, and it was very interesting and gratifying to notice the way in which an inspector of taxes would take the figures submitted by a reputable accountant, and so far as he was concerned that was the end of the matter. The figures were regarded as practically unchallengeable. The confidence of the tax gatherer was equalled only by the accountant's patience. (Laughter.) Continuing, the Pro-Chancellor spoke of the position of the University of Leeds as it affected the accountancy profession, and in doing so he remarked that, when one accepted responsibility in connection with a University, one was compelled to look at educational schemes of other organisations from the University point of view. He would make a suggestion, which he hoped was not going too far, and that was that the time might have arrived, or at all events very nearly arrived, when the preliminary examination for a learned profession such as their's should be set at the level of matriculation for a University career. Uniformity of comparison would then ensue, and when considering the claims of the young men concerned that consideration would begin from the same starting point. It was not so at present. One of the major problems of to-day was the education of young men who would occupy responsible and important positions in their adult life, and great as the improvement had been in the last 25 years, one was bound to admit that further improvement was necessary. Business men desired more and more that their sons and daughters should have a University education, but there were difficulties in the way of that, both in outlook and in actuality, and the only thing that was certain was that there would be a greater need of the University in the future than in the past. Still speaking of University affairs, he would venture to prophesy that, as regards the accountancy profession, there would come in the course of a decade, or of two decades at most, a degree course included in the prescribed route to the Final examination. Possibly the time was not yet, but come he was sure it would. The University of Leeds was fully aware of the demand for education of the young men of the district which it served. A very great scheme of development was under consideration, and the expenditure of a very large sum of money would be involved, and those who lived there would see within the next few years extensions and modernisations equalled only by the original foundation of the University. Now, it would not be difficult for them there to alter their courses of instruction to suit the needs of the accountancy profession. He must admit that accountancy as now taught at the University was designed merely to give a general knowledge of accounts to those whose main work subsequently would lie elsewhere. There was no reason why that instruction should not be broadly interpreted and become a fuller subject for those taking accountancy as a profession. It would include more law, and the degree course would have to cover a substantial measure of work in the office of an accredited accountant. It was a proposition for the accountants to explore just as much as the University. Certainly the University could not go forward without the backing of the profession. Possibly one of the main steps to be taken would be a reduction of the article period from three to two years and the acceptance by the profession of the degree course as part of the journey towards the Final. (Applause.) Leaving the question of the University, and speaking as an ex-President of the National Federation of Employers in the Printing Group of Trades, he would like to tell them that in that very varied and somewhat unremunerative industry a system of cost accounting had been brought out and was very largely applied. The system had revealed waste and inefficiency and given permanent records whereby the manufacturer might see monthly or weekly the progress that was being made in every direction. The Printing Group of Trades had endeavoured to elucidate and lay down principles and translate these into precepts. Such was the way of progress: first deliberate experiments, then organised knowledge, and then rules to guide. Such

had already been brought about in that trade, and now other industries were beginning to follow on those lines. A reliable system of cost accountancy which would show the difference between rule-of-thumb methods based merely on past tradition, and on the other hand a simplification of method, the result of careful investigation revealing common features, and therefore suggesting common principles of action, was extremely valuable, and the costing system he had referred to was undoubtedly worthy of that description. In putting forward the toast of the Society might he congratulate them on its remarkable growth, and particularly might he congratulate them on the esteem in which their profession was held to-day. (Loud applause.)

The PRESIDENT (Mr. George Stanhope Pitt), acknowledging the toast in the name of the Society, said he was particularly gratified that the toast had been associated with the Pro-Chancellor of the University of Leeds, and he would venture to thank him for the speech with which he had favoured them. (Applause.) He (the speaker) could assure him that his words of wisdom would receive the utmost consideration on their part, and personally he was in entire sympathy with the Pro-Chancellor's views. He should like to congratulate Mr. Arnold on his recent appointment to Leeds, but doubly would he congratulate Leeds on securing his invaluable services. (Applause.) He personally looked forward to the time when all accountancy students would take a University training, and he would allow men to have their article period reduced from five to three years. They had the greatest regard for the Faculties of Commerce, and they gave every encouragement to their students to proceed to that course. The accountancy profession had been referred to that evening as the youngest profession. He was not aware on what ground that statement had been made. Why, if one thought of it, surely in the days of Adam and Eve they knew that they had ten fingers and ten toes, and if they came to more recent times they would find that the Phoenicians were far more expert in double entry than generally obtained in Government Departments. (Laughter.) Therefore he could not see himself how the accountancy profession could be regarded as of such very recent growth. The Society was founded in the year 1885 with great ideals, and those ideals had never for one moment been departed from. (Applause.) They had been recognised by His Majesty's Government, by the Houses of Parliament, and by every one of the Government Departments, and above all they had been recognised by the great trading and commercial concerns of the country, whether singly or through the Chambers of Commerce. Speaking in the county of the greatest cricketers in the world—because they all bowed to Yorkshire in that respect, though he did not use the term in a technical sense, but rather in a moral sense—he thought it had been acknowledged that it was upon those principles their Society had risen to its present position. (Applause.) They were all aware, of course, that the real founder of their Society was Sir James Martin—(applause)—who laid the foundations well and truly, who had never ceased to build on those foundations, and who would never be allowed to cease to build on them either. (Applause.) Then they had had the inestimable advantage of securing for their Society a Yorkshireman like Sir Charles Wilson. (Applause.) The great achievements he had already referred to had been largely the result of Sir Charles Wilson's activities as Chairman of their Parliamentary Committee. He had guided their policy in a robust and no uncertain fashion, and in this connection one could not help thinking of the words of that great philosopher, Sam Weller, when he stated that wit and wisdom went together. (Laughter.) In Sir Charles Wilson they had been uncommonly fortunate. Then they had to thank Yorkshire once more for their work in promoting professional education. That had been one of their greatest achievements, and the training of the large number of candidates had never ceased to go forward. That endeavour had been largely due to Mr. Claridge—(applause)—whose work in that department of their Society had been beyond all praise. (Applause.) So they would see that they had to thank Yorkshire very heartily for the work which had been accomplished. Theirs was a world-wide organisation which had never ceased to progress. At the present time they were much interested in the provision of suitable headquarters in London, and he looked forward with confidence to the co-operation of every Incorporated

Accountant to help them in that work. He was perfectly certain that in due course they would be housed in some building in the City of London worthy of their Society and of the great future that was before it. (Applause.) He begged to thank the proposer for the very kind manner in which he had submitted that toast and for the very cordial manner in which the company had received it. (Applause.)

#### "The Guests."

Mr. FREDERICK HOLLIDAY, F.S.A.A., Vice-President of the Yorkshire District Society of Incorporated Accountants, in a delightfully anecdotal speech submitted the toast of "The Guests."

Mr. JAMES BRUCE, Chairman of the Leeds Chamber of Commerce, in responding, said he had been wondering how the members of that noble profession could help those of them who were engaged in manufacturing anything and everything. For instance, there was such an individual as an income-tax man, a very persistent servant of the Government and State. Might he suggest to them that they should go before him on the manufacturers' behalf, that they should speak very nicely and kindly to him, and that they should tell him in their very best style the story of how Lord Nelson turned his blind eye to the instructions he had and thereby gained undying fame for himself and, incidentally, a good fat pension from a grateful country? (Laughter.) Then there was that very necessary individual who had a good balance at the bank, and the other man who was in the converse position. Let them go to that individual on the manufacturers' behalf, and when they showed him the balance-sheets let them point out in the most forceful language that the assets they had were exceedingly valuable, that the property was in a rising neighbourhood, and that the goods were all good stuff ready for marketing. Let them tell him anything they liked so long as they could move his stoney heart. (Laughter.) Then their accountant friends could help them in another way. Once a year they sent someone to wade through their books, and he went away with figures which were roughed out into a balance-sheet, from which eventually the manufacturers would learn, as had often been the case of late, that they had had anything but a good year. Might a tear dim their eyes, might they remember the story of the good old landlords who in times of bad harvest used to knock so much off the rents of their tenants, and might they consider then how much they themselves could knock off their fees! (Laughter.) Some day he should like to see a simple memorial erected by a grateful Chamber of Commerce in remembrance of what the profession had done for them when times had been hard. (Laughter.) He wished to express in the name of his fellow guests their appreciation of all their enjoyments that night.

#### "The President."

Mr. WILLIAM CLARIDGE, M.A., F.S.S.A., Past President of the Society, gave the final toast, that of "The President." Mr. Pitt, he said, was the President of a great Society, and it was a great Society in a great profession. It had been said several times that evening that the Society was formed 40 years ago, and all sorts of interesting statements had been made as to its origin. Might he just say one or two words on that point? It was founded by some wise and prudent men, many of whom were living to-day, and they had at least one present with them in the person of Sir James Martin. They came together 39 years ago, and the rules which they drew up were extremely sound. Strangely enough, he had recently discovered that three or four hundred years before, in the days of Elizabeth and at the time of the Spanish Armada, there were in Italy a number of men who formed a very similar society, and they had the same rules as they had in their own Society to-day. (Laughter.) They stated that every candidate must be a trained man, that he must have a good general education, and that he was a well known man so far as the world went. He had to pass an examination. He had to give evidence of a preliminary examination and then pass two professional examinations. So far as their name was concerned, they did not call themselves accountants at all, and they did not regard themselves as just totters up of columns, but they described themselves as "Thinkers." Those old Italians seemed to have got the right idea—the idea that accountants should live up to to-day—that they were the

helpers and friends of their clients and not merely their servants. Great Britain, continued the speaker, was easily top of the nations of the world as regards the accountancy profession, and England herself had to divide the top place only with Scotland. The Society had raised the profession to a very high level, and it was second to none in the world. The President himself had done a great deal in helping to establish that great reputation, and for that reason, if for no other, he asked them to drink his health with the greatest enthusiasm. (The toast was honoured with the singing of "For he's a jolly good fellow.")

The PRESIDENT, in acknowledging the compliment, thanked the company for the cordiality with which they had received the toast, but declared that there were others to whom they owed the success that had attended the gatherings. In particular, he said, he would like to mention the names of the Hon. Secretaries of the local Societies, Mr. Dresser and Mr. Reynolds, and their Secretary, Mr. Garrett. (Applause.)

During the dinner a musical programme was given by Rowland H. Powell's Orchestra, and between the speeches Miss Elsie Milner and Mr. Henry Brearley were responsible for a number of tastefully rendered songs and duets, the accompanist being Mr. Herbert Stillwell.

## Society of Incorporated Accountants and Auditors.

### MEMBERSHIP.

The following additions to, and promotion in, the Membership of the Society have been completed since our last issue:—

#### FELLOW.

SMITH, OLIVER HARRISON (Lewis, Smith & Co.), 6A, North Parade, Bath, Practising Accountant.

#### ASSOCIATES.

BOLTON, ERIC WORRALL, Secretary, B. & T. Reinforcement, Limited, 39, Victoria Street, Westminster, London, S.W.; formerly Clerk to Myring & Bennett, Incorporated Accountants.

BURROWS, REGINALD FREDERICK GERVASE, Milton Chambers, Milton Street, Nottingham, Practising Accountant.

DALAL, RUTTONSHAW PESTONJEE, Clerk to Batliboi & Purohit, 56, Esplanade Road, Fort, Bombay.

FOSSEY, GEORGE FREDERICK, Borough Treasurer's Department, Lambeth Borough Council, Town Hall, Brixton Hill, London, S.W.

STORR, WILLIAM EWART, Clerk to A. France & Co., West Bar Chambers, Boar Lane, Leeds.

TUTT, WILLIAM GEORGE, Clerk to Ernest E. Smith & Co., 23, St. Swithin's Lane, London, E.C.

WARD-SMITH, WILLIAM DUDLEY, Clerk to Cole, Dickin & Hills, Sardinia House, Kingsway, London, W.C.

WHITE, ERNEST GEORGE, Clerk to Spence, Paynter & Morris, 6, Wardrobe Place, Doctors' Commons, London, E.C.

WHITE, GERALD HORN (Gooding, White & Co.), 14, High Street, Stoke Newington, London, N., Practising Accountant.

### Royal Naval Reserve Accountant Officers.

The eighth annual dinner of Accountant Officers, Royal Naval Reserve, will be held at Princes' Restaurant, Piccadilly, London, on Friday, January 9th, 1925. The Mess President hopes that there will be a large muster of present and former Accountant Officers, Royal Naval Reserve.

Tickets may be obtained from Paymaster Commander A. F. Stoy, R.N.R., 103, Cannon Street, London, E.C. (Hon. Secretary), and Paymaster Lieutenant A. A. Garrett, R.N.R., 50, Gresham Street, London, E.C.



## COMMITTEE ON NATIONAL DEBT AND TAXATION.

### Professional Evidence.

Lord Colwyn's Committee on National Debt and Taxation met at 5, Old Palace Yard on September 30th and took evidence from Sir Arthur Lowes Dickinson, representing the Institute of Chartered Accountants in England and Wales; Sir John Mann, representing the Joint Committee of Councils of the Chartered Accountants of Scotland; and Mr. George Stanhope Pitt, representing the Society of Incorporated Accountants and Auditors.

In dealing with the effects of taxation upon trade and industry, they said that in theory taxation based on ability to pay, such as income tax and super tax, should have no effect on prices. But, in the general scramble for higher wages, salaries and prices, old standards had disappeared, and the rise of prices due to other causes had deprived the consumer of basic standards to which he had been accustomed. Under these conditions trade and industry had been apt to consider taxation as part of their costs of production, and had tried with some success to recoup themselves by raising prices. This tendency was, however, limited by the ability of the consumer to pay, and by the effect of competition in keeping prices down. High taxation either reduced available business profits or increased prices, or had both effects. Consequently the amounts available for business extensions or for individual savings were reduced, or a lower demand for commodities reduced production and caused unemployment. At the present time there was evidence of considerable prosperity in certain industries which depended entirely upon the home market. In the main this was due to the ability of those sheltered industries to pass on to the consumer their additional costs and taxation. The high salaries, wages and prices in some of these industries had reacted disastrously upon other industries largely dependent upon exports. In the witnesses' views the war and post-war conditions must necessarily result in a lower standard of living, but if sheltered industries continued to pay wages sufficient to maintain pre-war standards of living and still make satisfactory profits, other industries must suffer correspondingly by making no profits, or even losses, by paying low real wages and by unemployment.

The witnesses also dealt with the effect of heavy taxation upon trade expansion, the accumulation of savings, and upon enterprise. The disproportionate appropriation of profits to meet taxation was particularly detrimental because of the great increase in all manufacturing costs since the war, which necessitated a larger supply of working capital for the same output. In their view the great bulk of direct taxation fell upon those who had not only the largest margin available, but also the will for saving. On the other hand, a large part of the Government expenditure went to the maintenance of those who had normally a small margin for saving, and was consumed in an endeavour to maintain or improve upon the old standard of living. The supply of capital for industry was thus materially reduced, as well as the ability to venture their reduced savings in new and more speculative enterprises. Other important effects of high taxation were that it had greatly reduced the transaction through this country of business between foreign countries, and in other ways also tended to divert capital and business from this country.

In regard to the repayment of debt, the witnesses thought that a prudent Government would fix a minimum standard of debt reduction in good times and in bad, and in good times would devote a reasonable proportion of any anticipated surplus to reduction of taxation before it launched out into fresh expenditures, however desirable they might be. The rate of debt redemption should be regulated by the amount of the net savings of the nation after making sufficient allowance for the accumulation of capital to provide for growth of population, to replace capital destroyed in the war, to provide for new undertakings, and to permit improvements in the standard of living. Repayment should, however, be steady and continuous, so as to maintain the national credit and tend to bring about a steady reduction in interest rates.

The witnesses pointed out that the effect of taxation was to some extent a question of the relative value to the community

of the use made by the Government and the individual of their savings. In conclusion they stated that the loss of capital due to the war, and the lower production per head due to the war and other causes, must tend to reduce the standard of living, and attempts to increase that standard could not succeed without greatly increased effort. Taxation on a scale which must seriously hamper trade and industry was inevitable, but they submitted that economy on the part of the Government and a scale of taxation which did not reduce the incentive to private savings were the two essentials which would be most effective in reducing to a minimum the sacrifices needed to make good the ravages of war.

## Correspondence.

### DIRECTORS' FEES, &c., AND RECEIPT STAMPS.

To the Editors *Incorporated Accountants' Journal*.

SIRS,—The Board of Inland Revenue have just informed me that in their opinion auditors' fees do not fall within the scope of the exemption from stamp duty conferred by sect. 36 of the Finance Act, 1924, in favour of receipts for salaries, wages and superannuation and other like allowances.

Receipts for such payments accordingly still require to be stamped with the duty of 2d. when the amount acknowledged to have been received is £2 or more.

The Board are, however, of opinion that receipts given by directors of limited companies for their fees, whether in the nature of a fixed annual sum or a sum voted by the company in general meeting, fall within the exemption in question and no longer require to be stamped.

Yours faithfully,

ALBERT CREW.

3, Plowden Buildings, Temple,  
London, E.C.

October 25th, 1924.

### THE AMERICAN INSTITUTE AND THE INCORPORATED SOCIETY.

We are requested by the President of the Society to publish the following letter received by him from the President of the American Institute of Accountants (Mr. John B. Niven):—

MR. GEORGE STANHOPE PITT, President,  
The Society of Incorporated Accountants and  
Auditors, England.

Dear Sir,—As the newly elected President of the American Institute I wish to add my personal expression of appreciation for the courtesy of the Society in sending Mr. Garrett to be present at the annual Convention which has just been concluded in St. Louis. It was a great pleasure indeed to meet him and hear what he had to tell us. This occasion was the twentieth anniversary of the first national meeting of accountants in the United States and there were fully a score of us in attendance who had been present upon the previous occasion and who remembered, with affection, Sir James Martin's presence on that occasion when he represented the Society. Much has happened in these years, but I feel I can say with sincerity that the prestige of our profession has advanced enormously in the United States, and I believe our Institute is doing its share to carry on the good work.

Believe me,

Sincerely yours,

(Signed) JOHN B. NIVEN.

Touche, Niven & Co.,  
80, Maiden Lane, New York.

September 25th, 1924.



## DEPRECIATION RATES FOR INCOME TAX.

The following is supplementary to the Schedules published in our issues of December 1921, April 1923 and March 1924. The rates of depreciation given below have been agreed by the Board of Inland Revenue with representatives of the various industries subject to the concurrence of the respective bodies of Income Tax Commissioners:—

Industry.	Rate per cent.	Prime Cost or Written-down Value.	Nature of Plant.
Drop Forgers and Stampers ..	7½	Written-down value.	Plant and machinery generally (excluding furnaces). <i>Note.</i> —No depreciation is allowed on furnaces, but in lieu thereof the cost of repairs and replacements and rebuilding to be allowed as a charge against revenue; provided that the cost of additional furnaces and of extensions and enlargements of existing furnaces be treated as a capital charge.
Pig Iron and Steel Manufacturers (N.B.—The arrangement is confined to concerns engaged in the production of pig iron and steel, and does not extend to businesses engaged solely in other branches of the iron and steel industry.)	7½	Written-down value.	Plant and machinery generally (excluding furnaces but including machinery ancillary to furnaces). <i>Note.</i> —No depreciation allowance in respect of the structure of furnaces of any kind, but in lieu thereof an allowance of the cost of repairs, replacements, &c., as in "Drop Forgers and Stampers."

## Changes and Removals.

Mr. H. C. Banting, Incorporated Accountant, has removed to 20, Bedford Row, London, W.C.

Messrs. Gharda, Davar & Co., Incorporated Accountants, have removed to Cama Chambers, 23, Meadows Street, Fort, Bombay.

Messrs. C. L. Kettridge & Co., Incorporated Accountants, have opened a branch office at 714, Standard Bank Building, Vancouver, B.C.

Mr. N. McKellen, Incorporated Accountant, has removed from King Street to 20, Booth Street, Manchester.

Messrs. Morgan Brothers & Co., Incorporated Accountants, Capel House, 54, New Broad Street, London, E.C., announce that they have admitted into partnership Mr. Leonard Herbert Graves, Incorporated Accountant, who has been with them for some years. The name of the firm remains unchanged.

Messrs. F. L. Rouse & Co., Incorporated Accountants, announce that they have removed from 17, Green Street, to 2, New Court, Lincoln's Inn, London, W.C.

## EXCESS PROFITS DUTY.

## Increased Statutory Percentages.

Some further decisions by the Board of Referees on sect. 42 (1) of the Finance (No. 2) Act, 1915, have just been published, dealing with the following industries:—

Gold Prospecting and Recovery in Colombia.

Electricity in Bolivia.

Fire, Accident and General Insurance (other than Life and Marine).

Gold Prospecting and Recovery in California.

It is not thought that these decisions are now of sufficient interest to justify their publication in detail, but the full particulars will be found in the *London Gazette* of Tuesday, October 21st, 1924.

## COMPANIES (PROSPECTUSES AND OFFERS FOR SALE) BILL.

*A Bill to Amend the Companies (Consolidation) Act, 1908.*

1.—In the Companies (Consolidation) Act, 1908, the expression "prospectus" shall mean, in addition to the meaning assigned to it in sect. 285 of the said Act, any advertisement, circular letter, notice, or other invitation to the public offering for sale any securities of any company, whether such company is registered or not; and such provisions of sect. 81 of the said Act as are relevant shall apply to every such offer for sale unless the company or person offering the securities for sale has had continuous possession of the securities for a period of not less than two years immediately preceding the date of the offer for sale.

2.—Any person authorising the publication of any such advertisement, circular letter, notice or other invitation to the public shall be deemed to be a promoter for the purposes of sect. 81 of the Companies (Consolidation) Act, 1908.

3.—This Act may be cited as the Companies (Offers for Sale) Act, 1924.

## CARLISLE INCORPORATED ACCOUNTANTS STUDENTS' SOCIETY.

The first meeting of this Society was held at the City Treasurer's Office, Carlisle, Mr. Edmund Lund, F.S.A.A., presiding.

The draft rules were submitted and adopted by the members, having been previously sanctioned by the Council of the Parent Society. The provisional Committee appointed previously were empowered to hold office during the current session. Officers were elected as follows:—Mr. Edmund Lund, F.S.A.A., President; Mr. E. J. Williams, F.S.A.A., Vice-President; Mr. Ernest Bedford, A.S.A.A., Hon. Treasurer and Hon. Secretary.

It was decided that meetings be held on the first Wednesday in each month during the session from October to March.

At the conclusion of the formal business Mr. Ernest Bedford read a paper on "Preparation for Professional Accountancy Examinations," and emphasised the desirability of students qualifying as soon as they were entitled to do so under the bye-laws.

## District Societies of Incorporated Accountants.

### LIVERPOOL.

#### Syllabus of Lectures.

1924.  
Oct. 8th. "Company Law," by Professor Lyon Blease.  
Oct. 16th. "Profit and Capital Circulation," by Mr. P. Taggart, F.S.A.A.  
Nov. 5th. "Company Law," by Professor Lyon Blease.  
Nov. 20th. "Capital and Suspense Expenditure," by Mr. P. Taggart, F.S.A.A.  
Dec. 3rd. "Bankruptcy Law," by Professor Lyon Blease.  
Dec. 18th. "Working Capital in Relation to Depreciation, Sinking and other Funds," by Mr. P. Taggart, F.S.A.A.  
1925.  
Jan. 7th. "Partnership Law," by Professor Lyon Blease.  
Jan. 22nd. "Distribution of Profit—Financial and Legal Considerations," by Mr. P. Taggart, F.S.A.A.  
Feb. 4th. "The Law Relating to Trustees and Executors," by Professor Lyon Blease.  
Feb. 19th. "Revenue Analysis and Accounting Control," by Mr. P. Taggart, F.S.A.A.  
Mar. 4th. "Rights and Duties of Receivers," by Professor Lyon Blease.  
Mar. 19th. "Other Accounting 'Controls,'" by Mr. P. Taggart, F.S.A.A.

Meetings will be held at 6 o'clock each evening on the dates given herewith at the Reform Club, Dale Street, Liverpool.

### MANCHESTER.

#### Annual Report.

Your Committee have pleasure in presenting the report on the work of the Society for the year ended July 31st.

#### MEETINGS.

There have been seven meetings of the Committee and nine meetings of the members. The 37th annual meeting was held at Manchester on October 17th, 1923. Mr. Alfred Nixon was re-elected President, and Mr. Robert Heatley re-elected Vice-President. Eight lectures were held during the session.

#### MEMBERSHIP.

The total number of ordinary members is, to date, 130. Fourteen have been admitted during the year, and twelve members of the students' section have been admitted Associates.

There are a number of members of the Parent Society who have not yet given their support to the District Society, and miss the benefit of association with their colleagues. Your Committee feel that this matter should receive the attention of all the members. A comparison of the list with the names given in the Incorporated Accountants' Year Book will show who are not yet members of the District Society, and members are requested to call upon any such known to them and invite them to join the Society.

#### STUDENT SECTION.

The total number of student members is 45. Nine have been admitted during the year.

#### LIBRARY.

Mr. Charles E. Rogerson reports that the number of books issued during the year, including renewals, was 84.

The library was augmented during the year by a number of books.

The Committee have pleasure in acknowledging several books which have been presented during the year.

The Library Sub-Committee are endeavouring to keep the library up to date, and suggestions from members as to new books will be welcomed by the librarian.

#### ANNUAL DINNER.

The annual dinner of the Society was held at the Midland Hotel on February 6th. The President, Mr. Alfred Nixon, occupied the chair, and a distinguished company of guests were present.

### CONFERENCE OF DISTRICT SOCIETIES.

A conference of representatives of District Societies was, on the invitation of the Council of the Parent Society, held in London on May 14th, 1924. Mr. Albert Chadwick, A.S.A.A., was appointed by your Committee to attend as representing the Society, and Mr. Arthur E. Piggott was also present as a member of the Council. There was a full attendance of representatives, and various matters in connection with the organisation and work of the District Societies were discussed. Mr. Chadwick presented a full report of the proceedings to your Committee.

#### EXAMINATIONS.

The examinations of the Parent Society were held in Manchester in November and May.

Mr. Piggott, who was responsible for the arrangements, was assisted by the following members of the Society:—Mr. Joseph Ralph Atkins, Mr. V. A. Bell, Mr. William Eaves, Mr. Fred A. Fitton, Mr. G. H. Handford, Mr. Fred Hargreaves, Mr. Robert Heatley, Mr. John W. Hirst, Mr. James A. Hulme, Mr. George A. Marriott, Mr. Norman McKellen, Mr. Alfred Nixon, Mr. Halvor Piggott, Mr. Charles E. Rogerson, Mr. Harold Salter, Mr. Joseph W. Shepherd, C.B.E., Mr. Thomas Silver, Mr. Thomas W. Sowerbutts, Mr. Walter Stott, Mr. Joseph Turner and Mr. Frederic Walmsley.

#### COMMITTEE.

The Committee regret that owing to ill health their colleague, Mr. Thomas Forster, has resigned membership both of the Committee and of the Society. Mr. Forster had been an active member for a number of years until his health failed, and the Committee trust that this may soon be restored to him.

The retiring members of the Committee are Mr. James A. Hulme, Mr. Norman McKellen, Mr. Alfred Nixon and Mr. Arthur E. Piggott.

#### FINANCES.

A copy of the Society's balance-sheet at July 31st, 1924, together with the revenue account for the year ended that date, is appended to the report.

The credit balance on reserve fund account is £226 15s. 7d.

### NEWCASTLE-ON-TYNE.

#### Annual Report.

The Committee have pleasure in submitting the eighteenth report and statement of accounts to June 30th, 1924.

Your Committee desire to place on record a very cordial expression of thanks to the gentlemen who have so kindly delivered lectures to the District Society during the year; to the authorities of Armstrong College, Newcastle-on-Tyne, for kindly allowing the use of their lecture rooms; and to the Parent Society for a grant of £37 11s. 2d.

#### MEMBERSHIP.

During the year 58 new members were admitted and seven resignations were received, making a total membership of 189 at June 30th, 1924, as compared with 138 at June 30th, 1923.

#### EXAMINATIONS.

The examinations held in November, 1923, and May, 1924, have resulted in the following passes:—

*Final.*—November, 1923: Mr. Walter Fenwick Atkinson, Clerk to A. J. Mair, Sunderland. May, 1924: Mr. William Parkin Dewey, Clerk to W. B. Peat & Co., Middlesbrough; Mr. John Robertson Schooler, Clerk to Richard Ormond and Son, Newcastle-on-Tyne; Mr. Norman Robert Tully, Clerk to Ed. Sparks & Son, Newcastle-on-Tyne; Mr. John Wilkinson, Clerk to Price, Waterhouse & Co., Newcastle-on-Tyne.

*Intermediate.*—November, 1923: Mr. Arthur Leslie Anderson, Clerk to Bolton, Wawn & Co., Sunderland; Mr. Norman Nicholson, Clerk to W. T. Walton & Son, West Hartlepool. May, 1924: Mr. Stanley Bryce, Clerk to Joseph Miller & Co., Newcastle-on-Tyne, Third Place Certificate; Mr. Hugh Duncan Fraser, Clerk to A. C. Churchill (Bolton, Wawn & Co.), Sunderland; Mr. Herbert Ewart Hall, County Accountant's Department, Durham; Mr. Harry Watson, National Insurance Audit Department, Newcastle-on-Tyne; Mr. Joseph Ley Wilson, Clerk to R. T. Warwick (W. T. Walton & Son), West Hartlepool.

## LIBRARY.

Your Committee acknowledge with thanks a copy of "Principles and Practice of Income Tax, Super Tax and Corporation Profits Tax" (Reddish & Teverson), presented by the Metropolitan College. During the year 24 books were issued. Members are reminded that books can be obtained from the library by application either in person or by writing.

## LECTURES.

Ten lectures and meetings during the session were held at Armstrong College, Newcastle-on-Tyne, with the exception of the lecture on January 16th, which was held at the Technical College, Sunderland. The average attendance was 28.

The Hon. Secretary attended the annual meeting of the Parent Society in London in May, and on the following day attended a conference of representatives of the District Societies, when various matters relating to the activities of the District Societies were discussed.

The members of the Committee who retire at this time are Mr. F. W. Smith, Mr. J. Telfer and Mr. A. M. White. They are eligible, and offer themselves for re-election.

The accounts for the year to June 30th, 1924, duly audited, are appended to this report, and show an excess of income over expenditure of £26 7s. 11d.

## 1924. Syllabus of Lectures.

- Oct. 23rd. "Some Points in Banking Law," by Mr. C. A. Sales, LL.B. (Lond.), A.S.A.A., London.
- Nov. 6th. General Meeting, Dinner and Concert.
- Nov. 21st. "Speculation and its Effect on Prices," by Mr. H. M. Hallsworth, O.B.E., M.A., M.Com., Professor of Economics, Armstrong College, Newcastle-on-Tyne.
- Dec. 3rd. "Income Tax," by Mr. A. Bell, F.C.A., Newcastle-on-Tyne; at Sunderland.
- Dec. 15th. "Negotiable Instruments," by Mr. C. B. Fenwick, LL.B., Newcastle-on-Tyne.
- Jan. 16th. "The Development of the Accountant's Functions in Commerce and Industry," by Mr. R. T. McCutcheon, F.S.A.A., Glasgow; at West Hartlepool.
- Jan. 29th. "The Trade Cycle and its Control," by Mr. P. Ford, B.Sc., Lecturer in Economics, Armstrong College, Newcastle-on-Tyne.
- Feb. 11th. "Statistics," by Mr. A. Lester Boddington, F.S.S., London.
- Feb. 27th. "Administration of a Deceased Person's Estate," by Mr. C. M. Murray-Aynsley, B.A., LL.B., Lecturer in Law, Armstrong College, Newcastle-on-Tyne.
- Mar. 12th. Mock Shareholders' Meeting.

By kind permission of the authorities the lectures will be given at Armstrong College, Newcastle-on-Tyne, on the dates mentioned, at 7 p.m.

The Committee are desirous of having a good attendance at these meetings, and members are kindly requested to book the dates.

At the conclusion of each lecture a discussion will take place, in which members are invited to take part.

Members have the privilege of introducing friends who are interested in the subjects named in the syllabus.

The opening lecture of the session was held at Armstrong College, Newcastle, on October 23rd, when Mr. C. A. Sales, A.S.A.A., LL.B., delivered a lecture on "Some Points in Banking Law."

Mr. Sales took as his theme the relation of the banker to his customer. He dealt with the duties and liabilities of the banker in connection with the demands made upon him by his customer, the position consequent upon insufficient funds, and the presentation of stale and irregularly drawn cheques. He further dilated on the termination of the banker's authority and on the securities lodged with the banker as cover for loans and overdrafts.

The meeting concluded with a hearty vote of thanks to the Lecturer.

## NOTTS, LEICESTER, DERBY AND LINCOLN.

A meeting of this Society was held at the Reform Club, Nottingham, on October 7th.

The Chairman, Mr. F. A. Prior, F.S.A.A., in introducing the Lecturer, Mr. W. Claridge, M.A., J.P., of Bradford, stated that he was a Past President of the Parent Society and a man widely esteemed in the accountancy profession.

The subject of the lecture was "The Accountancy Profession and its Prospects." Mr. Claridge dealt in a general way with the profession and enlarged on the new fields that were opening out for accountants. He stated that he was especially addressing the students present at the meeting, and gave them advice from his own experience in regard to various matters that would arise in the course of their careers. Questions were put to the Lecturer at the close of his address, to which he replied. The meeting passed a resolution urging the Council to push forward with a Registration Bill.

A unanimous vote of thanks was passed to Mr. Claridge for his very able and helpful lecture.

## 1924. Syllabus of Lectures.

- Oct. 7th. "The Accountancy Profession and its Prospects," by Mr. W. Claridge, M.A., J.P., F.S.A.A. Chairman: Mr. F. A. Prior, F.S.A.A.; at Nottingham.
- Oct. 17th. Debate with the Sheffield Society of Incorporated Accountants. Chairman: Mr. J. T. Singleton, A.S.A.A.; at Nottingham.
- Oct. 23rd. "Gas Accounts, with Reference to the Therm System," by Mr. R. H. Mason, A.S.A.A. Chairman: Mr. F. W. Clarke, F.S.A.A.; at Leicester.
- Nov. 7th. "The Examination of Profit and Loss Accounts and Balance-sheets," by Mr. R. T. McCutcheon, F.S.A.A. Chairman: Mr. H. Harris, F.S.A.A.; at Nottingham.
- Nov. 21st. Annual Dinner and Address from the President of the Society of Incorporated Accountants and Auditors; at Leicester.
- Dec. 4th. "Cheques and Bills of Exchange," by Mr. W. H. Grainger, A.S.A.A. Chairman: Mr. V. W. Trivett, A.C.W.A.; at Nottingham.
- Dec. 16th. "Some Important Legal Decisions affecting Auditors," by Mr. C. A. Sales, LL.B., F.S.A.A. Chairman: Mr. F. W. Fox, F.S.A.A.; at Leicester.
- Dec. 19th. Mock Shareholders' Meeting. Chairman: Alderman E. Harlow, J.P., F.S.A.A.; at Nottingham.
- 1925.
- Jan. 6th. "Forward Exchange Operations and Arbitrage," by Mr. A. L. Boddington, F.S.S., F.R.Econ.Soc. Chairman: Mr. T. E. Clarke, F.S.A.A.; at Nottingham.
- Jan. 15th. "The Preparation of Statements of Affairs and Procedure in connection with the First Meeting," by Mr. C. Wynne Humphreys. Chairman: Mr. H. T. Millman, F.S.A.A.; at Leicester.
- Jan. 27th. Debate with the Birmingham Society of Incorporated Accountants. Chairman: Mr. G. W. Sparrow, F.S.A.A.; at Leicester.
- Feb. 10th. Debate with the Nottingham Chartered Accountants' Students' Society. Chairman: Mr. Stanley Blythen, F.S.A.A., F.C.A.; at Nottingham.
- Feb. 17th. "A Few Points on Municipal Finance," by Mr. F. Ogden Whiteley, O.B.E., F.S.A.A. Chairman: Mr. R. H. Mason, A.S.A.A.; at Nottingham.
- Feb. 24th. "Some Notes on the Taxpayers' Rights of Appeal and Liability to Penalties," by Mr. R. V. Rodwell, F.C.A. Chairman: Mr. R. M. Branson, F.S.A.A.; at Leicester.
- Mar. 3rd. "The Trustees' Rights in respect of Relation Back, Order and Disposition, Fraudulent Preference," by Mr. C. Wynne Humphreys. Chairman: Mr. A. E. Sisling, F.S.A.A.; at Nottingham.



1925.

- Mar. 13th. "The Organisation of Modern Industry and the Need for Improved Costing Systems," by Professor A. W. Kirkaldy, M.A. *Chairman:* Mr. T. Rimington, F.S.A.A.; at Leicester.
- Mar. 17th. Debate with the Leicester Chartered Accountants' Students' Society, at the invitation of the Leicester Chartered Accountants' Society; at Leicester.
- Sept. 21st. Annual General Meeting; at Nottingham.

### SHEFFIELD.

#### Syllabus of Lectures.

1924.

- Oct. 10th. Lantern Lecture, "The History of Lloyds," by Mr. Albert C. Dabbs (Member of Lloyds).
- Oct. 17th. Joint Debate with the Nottingham and District Society of Incorporated Accountants, at Nottingham.
- Nov. 5th. "Our Monetary Policy and its connection with the Trade of this Country," by Mr. A. W. Kiddy (City Editor of the *Morning Post* and Editor of the *Bankers' Magazine*).
- Nov. 26th. "Company Reconstruction," by Sir Arthur Whinney, K.B.E., F.C.A.
- Jan. 19th. "Poor Rate Assessments and the Rating of Machinery," by Mr. Charles Clifton, P.A.S.I. (Secretary, Machinery Users' Association).
- Feb. 17th. "Company Registration," by Mr. Herbert W. Jordan (Managing Director of Jordan & Sons, Limited).

These lectures will be given in conjunction with the Sheffield and District Institute of Chartered Accountants, the Sheffield and District Institute of Bankers, and the Sheffield and District Chartered Institute of Secretaries, and will be held at Norris Deakin Buildings, King Street, Sheffield, on the dates named, at 7 p.m.

#### STUDENTS' SECTION.

Arrangements are being made for a series of classes in connection with the above section, and particulars of these will be announced later.

### WEST OF ENGLAND.

#### Syllabus of Lectures.

1924.

- Oct. 28th. Economics—Revision Lecture I—by Mr. H. R. Burrows, M.C., B.Com., Bristol University.
- Nov. 10th. "The Accountancy Profession and its Prospects," by Mr. W. Claridge, M.A., Incorporated Accountant, Bradford; Past President of the Society.
- Nov. 25th. Economics—Revision Lecture II—by Mr. H. R. Burrows, M.C., B.Com., Bristol University.
- Dec. 1st. "Banking," by Mr. H. G. Treasure, Bristol.
- Dec. 16th. Economics—Revision Lecture III—by Mr. H. R. Burrows, M.C., B.Com., Bristol University.
- 1925.
- Jan. 12th. "Executors Law and Accounts," by Mr. C. W. Legge, Incorporated Accountant, London.
- Jan. 27th. Economics—Revision Lecture IV—by Mr. H. R. Burrows, M.C., B.Com., Bristol University.
- Feb. 10th. "The Place of Economics in the Social Sciences," by Mr. H. R. Burrows, M.C., B.Com., Bristol University.
- Feb. 23rd. "Some Legal Decisions of Interest to Accountants," by Mr. A. Cotton, Incorporated Accountant, Bristol.

*Note.*—The Revision Lectures on Economics by Mr. H. R. Burrows, M.C., B.Com., will be a review of the questions set in the May and November, 1924, Examinations.

The lectures will be given at the Royal Hotel, College Green, Bristol, on the dates named, at 6.15 p.m. promptly.

### YORKSHIRE.

The opening meeting of the session of this Society was held on October 24th, at Leeds, when Mr. Willfred H. Grainger, A.S.A.A. (London), delivered an interesting paper to the members on "Executors Law and Accounts," giving special advice to students with regard to dealing with executors accounts at the examinations of the Society.

The chair was taken by Mr. G. Malthouse, A.S.A.A. (Leeds), and the meeting terminated with a vote of thanks to the Lecturer.

## Scottish Notes.

(FROM OUR CORRESPONDENT.)

#### Meeting of Scottish Council.

A meeting of the Council of the Scottish Institute of Accountants, the Scottish Branch of the Society, was held in Glasgow on 24th ult. There were present: Mr. D. Hill Jack, J.P., President of the Branch; Mr. Robert Young (Elgin) and Mr. Wm. Robertson, F.F.A. (Edinburgh), Vice-Presidents; Mr. Robert T. Dunlop, Mr. W. Davidson Hall, Mr. Wm. Houston, Mr. P. G. S. Ritchie, Mr. J. Craddock Walker (Glasgow), Mr. James T. Morrison (Coatbridge), Mr. Walter MacGregor (Edinburgh), and Mr. James Paterson, Secretary. Mr. Hill Jack presided. Mr. John Meikle, F.S.A.A., Glasgow, was elected a member of Council in room of the late Mr. Wm. McIntosh. Apologies for absence were intimated from Dr. John Bell, Mr. J. Stewart Seggie, Mr. W. J. Wood, &c.

A large number of applications to sit the examinations were submitted and were remitted to the Examination and Membership Committee or otherwise dealt with. Three applications by Associates for promotion to Fellowship were submitted and recommended to the Council of the Society. Other matters connected with the Institute and the profession in Scotland were also under consideration.

#### University Honours.

Mr. Duncan R. Matheson, M.A., Incorporated Accountant, Edinburgh, whose success in previous law examinations for the LL.B. degree at Edinburgh University we recorded some time ago, has been awarded the Thow Scholarship in Scots Law and the Medal in Administrative Law.

#### An Arrested Bankrupt.

It is rare in the annals of Scottish bankruptcy to find a bankrupt sentenced to imprisonment and arrested under the Sheriff's warrant for the offence of refusing to answer questions put to him on his examination in bankruptcy. In a recent case a Galashiels bankrupt refused to answer certain questions put to him by the trustee in his sequestration, and was sentenced to imprisonment by the Sheriff. A petition to the Lord Ordinary sitting in the Bill Chamber of the Court of Session was presented last month, in which application was made to have the warrant to imprison recalled. Lord Morison, who dealt with the application, said he had a very clear opinion that he had no jurisdiction, and that on its merits the warrant must stand. The application was for the recall of a warrant to commit the bankrupt to prison for refusing to answer certain questions which were put to him. *Prima facie*, it was for the Sheriff to decide what questions were proper. Accordingly he refused the petition.

#### Property Tax and Arrears of Rent.

The Executive Committee of the National Federation of Property Owners and House Factors of Scotland last month, at a meeting held in Glasgow, considered the question of the incidence of property tax on rent not recovered by the landlord, and it was stated that, in some instances, Inland Revenue inspectors refused repayments in cases where the tenant, although in arrear with his rent, was still in the house. It was agreed that the matter be referred to a committee to take up with the Revenue Authorities with the view to effect an equitable arrangement.

### Valuation of Subsidised Houses.

The question as to whether the amount paid by the Government to the local authorities in respect of housing schemes should be made additional to the actual rental paid by the tenants for insertion in the valuation roll was considered last month at a sitting of the Glasgow Burgh Valuation Appeal Court Committee. The matter arose out of a complaint by one of the magistrates, that in certain houses belonging to the Corporation and let to tenants, the rents of £42 and £40 of the two test cases, did not truly represent the annual value of these houses in respect that, in addition to the rents paid by the tenants to the Corporation, the Corporation received from the Government an addition to the rents paid by the tenants to the Corporation, an addition which was estimated at £10 per annum. It was argued for the complainant that in law where the landlord received other considerations they fell to be added to the rent. To find the true value of the houses they should simply ask the Corporation what sums they received in respect of these houses, and that these sums should be inserted in the valuation roll for rating purposes. For the Corporation it was argued that the rents were fixed by the local authority on certain terms laid down by the Scottish Board of Health, and were stereotyped until 1927. The city assessor in his opinion favoured the view of the complainant, and the Court, after consideration, sustained the appeal. In view of the importance of the matter, which affects all local authorities having subsidised houses, an appeal is likely to be taken by the Corporation.

## Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1923) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Sessions Cases (Scotland)*; S.L.R., *Scottish Law Reporter*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; P., President of Probate, Divorce and Admiralty.]

### COMPANY LAW.

#### Loch v. Blackwood.

##### *Winding up and Just and Equitable Clause.*

The enactment in sub-sect. 6 of sect. 129 of the Companies (Consolidation) Act, 1908, that a company may be wound up by the Court "if the Court is of opinion that it is just and equitable" is not restricted to cases *ejusdem generis* with those enumerated in the preceding sub-sections.

(A.C.; (1924) 40 T.L.R., 732.)

### CONTRACT.

#### Russian Commercial & Industrial Bank v. Comptoir d'Escompte de Mulhouse and Others.

##### *Russian Banks and the Soviet.*

The head office of the plaintiffs, who were a Russian bank incorporated in 1889, having their head office in St. Petersburg and one of their branches in London, obtained in 1914 from a bank in Mulhouse an acceptance credit secured by the deposit of certain bonds which were in the possession of the plaintiffs'

London branch. In 1919 the manager of the plaintiffs' London branch decided to repay the loan and regain possession of the bonds, but the Mulhouse bank, becoming apprehensive that the persons conducting the business of the plaintiffs in London were not in a position to give a valid discharge for the surrender of the bonds, declined to surrender them except against a regular release and after a decision of the Court. In an action by the plaintiffs against the Mulhouse bank for delivery up of the bonds the defendants contended (*inter alia*) that by reason of the decrees of the Soviet Government the legal entity of the plaintiff bank had been destroyed and was incapable of suing.

The House of Lords held that the defendants had not established that the plaintiff bank no longer existed, and the latter were entitled to the return of the bonds.

(H.L.; (1924) 40 T.L.R., 837.)

### REVENUE.

#### Inland Revenue Commissioners v. Blackwell.

*Accumulations of Income during minority are not liable to Super Tax.*

Where trustees are directed to accumulate income for the benefit of a minor during his infancy the accumulations are not liable to super tax.

(K.B.; (1924) 40 T.L.R., 801.)

#### Attorney-General v. Fox.

##### *Property charged with an Annuity.*

By sect. 11 (1) of the Finance Act, 1900, as amended by sect. 59 (1) of the Finance (1909-10) Act, 1910, in the case of every person dying after April 30th, 1909, property whether real or personal in which the deceased person or any other person had an estate or interest limited to cease on the death of the deceased shall, for the purpose of the Finance Act, 1894, and the Acts amending that Act, be deemed to pass on the death of the deceased, notwithstanding that that estate or interest has been surrendered, whether for value or not, to or for the benefit of any person entitled to an estate or interest in remainder or reversion in such property, unless that surrender was *bonâ fide* made or effected three years before the death of the deceased, and *bonâ fide* possession and enjoyment of the property was assured thereunder immediately upon the surrender, and thenceforward retained to the entire exclusion of the person who had the estate or interest limited to cease as aforesaid, and of any benefit to him by contract or otherwise.

It was held that where property is charged with an annuity which had been released by the person entitled to it within three years of his death to the owner of the fee, the property on which the annuity is charged is not deemed on the annuitant's death to pass to the owner by way of remainder or reversion to the extent that a benefit accrues by the cesser of the annuity so as to make him liable to estate duty.

(K.B.; (1924) 40 T.L.R., 816.)

#### Eglington Silica Brick Company v. Inland Revenue.

*Assessment to Income Tax of repayments of Excess Profits Duty.*

Rule 4 (1) of the Rules applicable to Cases 1 and 2 of Schedule D of the Income Tax Act, 1918, enacts that "where any person has received repayment of any amount previously paid by him by way of excess profits duty, the amount repaid shall be treated as profit for the year in which the repayment is received." A company in liquidation which has made a loss in trading for the last year in which it carried on business and was therefore immune from income tax on its trading profits for that year had received, however, within the year certain repayments of excess profits duty levied some years earlier.

It was held that the amounts so repaid were to be deemed to be ascertained and taxable trading profits in the year of repayment, and not merely items to be taken into account in the computation of the trading or other profits of that year.

(C.S.; (1924) 61 S.L.R., 601.)